

U.S. TRADE POLICY AGENDA

HEARING BEFORE THE COMMITTEE ON WAYS AND MEANS U.S. HOUSE OF REPRESENTATIVES

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U.S. TRADE POLICY AGENDA

TUESDAY, JANUARY 27, 2015

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC.

The Committee met, pursuant to notice, at 2:04 p.m., in HVC-210, U.S. Capitol Building, Hon. Paul Ryan [Chairman of the Committee] presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE
Tuesday, January 20, 2015
No. FC-02

CONTACT: (202) 225-3625

Chairman Ryan Announces Hearing on the U.S. Trade Policy Agenda

House Committee on Ways and Means Chairman Paul Ryan (R-WI) today announced that the Committee on Ways and Means will hold a hearing on the U.S. Trade Policy Agenda with U.S. Trade Representative Michael Froman. **The hearing will take place Tuesday, January 27, 2015, at 2:00 p.m. in HVC-210 of the U.S. Capitol Building.**

Oral testimony at this hearing will be from the invited witness only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select "Hearings." Select the hearing for which you would like to make a submission, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Tuesday, February 10, 2015.** For questions, or if you encounter technical problems, please call (202) 225-3625 or (202) 225-2610.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

3. Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TDD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available online at <http://www.waysandmeans.house.gov/>.

Chairman RYAN. The hearing will come to order. Welcome to the Committee on Ways and Means hearing on U.S. trade policy with our U.S. Trade Representative, Michael Froman. The hearing will be conducted in accordance with the Rules of the House and the appropriate decorum.

I want to start by thanking Ambassador Froman. I believe this is your second tour of duty today before a congressional committee. You and your team are doing very, very important work. We have a lot to discuss today. And this Committee is going to do everything we can to try to make this work a success.

I want to just say a few things about trade. Expanding American trade is going to be one of our top priorities this year. And the reason? It is really simple: 95 percent of the world's customers live outside of the United States. I can think of few better ways to grow our economy than to grow our customer base. I believe Americans can compete with anybody, if given a fair chance. That is why we have to break down barriers to our exports by completing trade agreements.

Right now there are several trade deals in the works, all of them showing promise. We are negotiating the Trans-Pacific Partnership with our friends in Asia, a Transatlantic Trade and Investment Partnership with our friends in Europe, the Trade and Services Agreement with countries around the world, and several agreements through the World Trade Organization. And if they are done well, all of them would help create jobs and expand opportunity. And all of them would help shape the kind of economy we leave to our kids.

You know, the fact is, if we don't write the rules of the global economy, other countries will. Guess what? They already are. Other countries, like China, are putting in place new trade agreements among themselves. So, it is as simple as this: If we are not moving forward, we are falling behind.

Look at the record. If you add up all the countries that don't have trade agreements with us, we run a big manufacturing trade deficit. And if you add up all the countries that do have trade agreements with us, we run a surplus. So I think it is pretty clear trade and trade agreements, they are good for our country. We need more of both. And the first thing we need to do to get there is to pass Trade Promotion Authority.

Here is the issue. When the United States sits down at the negotiating table, everybody at that table has to trust us. They have to know the deal the Administration wants is the deal Congress wants. Because if our trading partners don't trust the Administration, if they think it will make commitments that Congress will

undo later, then they won't make any concessions. Why run the risk for no reason?

On the other hand, once our trading partners know that we are trustworthy, once they can see that we are negotiating in good faith, then they will be more willing to make concessions. That is why we have to pass this bill before negotiations are complete. To get the best deal possible, we have to be in the best position possible. We can't be negotiating with ourselves, we have to maintain a united front.

Now, I am not saying to maximize our leverage we have to maximize the Administration's power. Actually, far from it. I would no sooner trust this Administration with more power than I would trust the Patriots with the footballs at Lambeau Field.

[Laughter.]

Okay. What I am saying—not Massachusetts.

[Laughter.]

But what I am saying is that this bill would maximize Congress' power. Let me explain.

Nothing stops the President from negotiating a deal without instructions from Congress. Nothing. So, if we just waited until after the negotiations are done to make our views known, if we simply reacted to what the Administration put in front of us, well, we might just scuttle the whole deal.

That means we have to get involved before the deal is done, not after it is finished. We have to be proactive, not reactive. That is what TPA does. We call this process "Trade Promotion Authority." I think of it more as a contract.

We say to the Administration, "If you want this up or down vote, you are going to have to meet three requirements: Number one, you have to listen to us, the co-equal legislative representative branch of government; number two, you have to talk to us; and, number three, you have to remember Congress, we, get the final say."

First, TPA lays out our negotiating objectives for our trade deals. In short, we tell the Administration what targets to hit. It has to do things like eliminate barriers to our exports, protect our intellectual property, and eliminate unnecessary regulatory barriers in other countries.

Second, TPA requires the Administration to consult with Congress. Any Member can meet with our Trade Representative's office at any time. Any Member can read the text. Any Member can attend the negotiations. It is like a TPA hotline.

And, third, just to avoid any confusion, we put it right in the bill text: "Congress gets the final say." If a trade deal requires any change in our laws, it is Congress that must approve them. And if the Administration violates any of these requirements, we can say, "No deal." If it doesn't cooperate, it doesn't get the up or down vote that they want.

We simply can't get the best deals without TPA, and that is why we have to pass it as soon as we can. So TPA is front and center. But there are several other measures that we must take to help the economy.

I think what I said may not be in agreement with what the gentleman to my left says, but there are a lot of things that the two

of us do agree on. We need to reauthorize the generalized system of preferences, which expired last year. And I am committed to ensuring that a seamless and timely renewal of the African Growth and Opportunity Act is done as soon as possible. Both of these programs would let developing countries send their products to our shores duty free. Stronger trade ties among our countries would help lift up their economies and our own.

The Miscellaneous Tariff Bill, meanwhile, would eliminate duties on hundreds of products that we don't even make in our country, and that our manufacturers need to build their own products. This is just common sense, and we need to find a way forward. And I do look forward to bipartisan agreements on many of these issues.

Finally, Congressman Brady has done solid work on the Customs Trade Facilitation and Enforcement Act. The bill would help streamline our customs procedures and enforce our trade laws. And Congressman Boustany, he has tackled the problem of trade remedy evasion in a very creative and a very effective way. We need to get this legislation across the finish line.

So, we have a pretty ambitious agenda in front of us. I look forward to learning more about the Ambassador's testimony, and I look forward to this area, because it has the promise of creating more jobs for Americans. And I look forward to working with my colleagues on these issues.

And, with that, I would like to yield to Mr. Levin for any time he might need.

Mr. LEVIN. Thank you very much, and welcome, Ambassador, welcome.

The Trans-Pacific Partnership is potentially a trade package of historic significance. Economically, the 12 participants represent 40 percent of the world's GDP. New vital issues are being negotiated multilaterally for the first time. TPP has the potential to raise standards and open new markets for U.S. businesses, workers, and farmers. Or, on the other hand, to lock in weak standards, uncompetitive practices, and a system that does not spread the benefits of trade affecting the U.S. economy, job prospects, and wages for decades to come.

At this juncture, there are many major outstanding issues in key subject matters of TPP. The resolution of these issues will decide the merits of TPP, and whether it is an agreement that builds on progress in recent FTAs.

Last week I put forward a description of what I believe to be most effective resolutions of the major outstanding issues. Achieving these outcomes could lead to a landmark TPP agreement worthy of major bipartisan support, and my own. The outcomes will affect the paychecks of American families now and in the future. So we should focus on getting TPP done right.

To achieve this, Congress, at this point, must not give up its leverage by passing TPA, where it can only say yes or no, until we here are fully confident that USTR is on a clear path toward effectively achieving these outcomes. Congress needs to assure itself of a fully active role in the effort to get TPP right. With the negotiations at a pivotal point—a pivotal point—within a few months, it is said, of final decisions being made on key specific issues and provisions, the congressional role must be instrumental.

And we have played an active important role in the past. Numerous trade agreements have been improved, as a result. We put together provisions in the May 10th agreement on enforceable labor and environmental standards, as well as vital medicine provisions. We inserted into China PNTR provisions to strengthen enforcement of China's obligations—unfortunately, not utilized—as well as trade enforcement and human rights provisions in Russia PNTR. And we insisted, in the industrial provisions of the Korea FTA, that it be re-negotiated. And Dave Camp and I worked closely with the auto companies and auto workers, and the Obama Administration went back and got a stronger agreement.

This may not be the course suggested by those who believe that more trade is, by itself, so positive, that any problem in TPP will work itself out over time. And, for some others, there is no feasible way to do TPP right. So both now focus on process, on the vehicle Trade Promotion Authority, and not on the vital contents of the TPP package that would be on that vehicle.

Let me give a few examples why we need, right now, to focus on TPP.

First, currency manipulation has cost the United States millions of jobs over the past decade. Bipartisan majorities of both the House and the Senate, and staunchly conservative, as well as liberal economists, have urged the Administration to include strong and enforceable currency disciplines in TPP. But the Administration has not yet broached that subject in TPP.

On agricultural market access, we continue to hear concerns from farm groups. The TPP could lock in closed markets, particularly in Japan, but also in other countries. We must insist that tariffs be eliminated on virtually all agricultural products, and that there be significant access for the few products where tariffs are not eliminated.

On investment, the *Economist Magazine*, the CATO Institute, foreign governments, and others from across the political spectrum, have expressed growing concerns that the investment provisions of our trade agreements, particularly the investor state dispute settlement mechanism, could unjustifiably interfere with each nation's sovereign right to regulate. Recent examples are Australia's regulations of tobacco, and Canada's handling of medicine patents. TPP needs to include new safeguards, as I proposed last week.

Finally, TPP needs to preserve the provisions of the bipartisan May 10th agreement of 2007. For example, this is the first time the United States has ever negotiated a comprehensive trade agreement with a Communist trading partner. Vietnam must recognize that workers have the right to choose their own representatives, and we need to put in place an ongoing panel to ensure Vietnam's compliance.

No less important are outstanding provisions on access to Japan's automotive markets, state-owned enterprises, rules of origin, environmental protections, and human rights. Giving Congress a fully effective role, as well as for representatives of groups with a big stake in TPP negotiations, is an effective way—and I emphasize this—to assure other nations that the USTR is bargaining with strong bipartisan support.

Finally, in order for all of this to happen, all Members of Congress and cleared advisors must have full access to the negotiating documents, including to the positions taken by other nations on a secured basis, only where necessary. There has been some progress on transparency, but much more must happen. A full row for Congress at this important juncture in the TPP negotiations after 5 years with real transparency is absolutely essential. Nothing else will suffice.

Thank you, Mr. Chairman.

Chairman RYAN. Thank you. Ambassador Froman, thank you for your time today. The Committee has received your written statement, and it will be made part of the formal hearing record. If you wouldn't mind summarizing your remarks in 5 minutes so Members can get on with the question and answer, I would appreciate it, and you are recognized.

**STATEMENT OF AMBASSADOR MICHAEL FROMAN,
U.S. TRADE REPRESENTATIVE**

Ambassador FROMAN. Thank you, Chairman Ryan, Ranking Member Levin, Members of the House Ways and Means Committee. Thanks for the opportunity to testify. I will try to keep this short, so to maximize the time for questions.

As a central part of the President's overall economic strategy, our trade agenda is committed to supporting more good jobs, promoting growth, and strengthening the middle class in the United States. At USTR, we are advancing those goals by knocking down barriers to U.S. exports, and leveling the playing field for American workers and businesses of all sizes. And, as we work to open markets around the world, we are enforcing our trade rights so that American workers, farmers, ranchers, and businesses get the full benefit of the economic opportunities the United States has negotiated over the years.

Taken together, these efforts have contributed greatly to America's economic comeback. Since 2009, America's total exports have grown by nearly 50 percent, and contributed one-third to our economic recovery. During the most recent year on record, 2013, U.S. exports reached a record \$2.3 trillion, and supported a record-breaking 11.3 million jobs. And, at a time when too many workers haven't seen their paychecks grow in much too long, these jobs typically pay up to 18 percent more, on average, than non-export-related jobs.

Over the past year, I have had the pleasure to travel around the country, and heard many of the stories behind these statistics. I listened to small business owners in Colorado, Maryland, and Ohio; farmers and ranchers in Iowa and Wisconsin; manufacturers and service providers in Texas and the State of Washington, and many others. And, across our country, what I heard was resoundingly similar: confidence that, as long as the playing field is level, our workers and businesses can win.

Today, more small businesses are exporting than ever before. And, by tapping into global markets, these companies are able to increase their sales and their payrolls. And that success is all the more impressive when you consider that the United States is an open economy, and other countries aren't necessarily playing by the

same rules. That is why we are working harder than ever to bring home trade agreements that will unlock opportunities by eliminating barriers to U.S. exports, trade, and investment, while raising labor, environment, and other important standards across the board.

If we sit on the sidelines, we will be faced with a race to the bottom in global trade, not a race to the top. And, as the President said last week, we should be the ones to engage and lead.

That leadership is apparent in our work during the last year to advance the Trans-Pacific Partnership, or TPP. The contours of a final agreement are coming into focus, and we have made important progress in the market access negotiations, and in addressing a number of 21st century issues such as intellectual property, digital trade, competition with state-owned enterprises, and labor and environmental protections.

Another promising area is the Transatlantic Trade and Investment Partnership, or TTIP. And with the new European Commission in place, the United States and the European Union are moving forward with a fresh start in TTIP negotiations, which will build upon the already \$1 trillion in two-way annual trade.

At the World Trade Organization, the United States is working to conclude an information technology agreement expansion deal, which would cover roughly \$1 trillion in trade, while moving forward in negotiations on the Trade and Services Agreement, and the Environmental Goods Agreement.

This will be a critical year for trade, and we look forward to continuing our efforts to engage the public, stakeholders, and Members of Congress in a robust discussion about how we are opening markets and creating opportunities for American exports; how we are raising labor and environmental standards to level the playing field for American workers; how we are promoting innovation and creativity, as well as access to its products; and how we are ensuring that governments will be able to regulate in the public interest, while giving Americans abroad the same kind of protections we guarantee domestic and foreign investors here at home.

Mr. Chairman, as we move ahead, we are committed to providing maximum transparency, consistent with our ability to negotiate the best agreements possible. And we look forward to working with this Committee and others in Congress to determine the best way to achieve that goal.

There is no other area of policy that reflects closer coordination between the Executive and Congress than trade policy. And, to further strengthen that cooperation, as the President made clear last week, we look forward to working with Congress to pass bipartisan Trade Promotion Authority. The previous TPA bill was passed over a decade ago, and an updated TPA bill is needed to address the rise of the digital economy, and increasing role of SOEs, and to reflect the latest congressional views on labor, environment, innovation, and access to medicines.

TPA also establishes the timeline and process for the trade agreements that we bring home to be reviewed not only by Congress, but also by the American people. And again, the Administration looks forward to working with this Committee and the new Congress, as a whole, to secure a TPA that has bipartisan support.

We also look forward to working with Congress to renew a number of other programs, including trade adjustment assistance, the Generalized System of Preferences, which expired in 2013, and the AGOA program, well before it expires in September this year. But we can only accomplish these goals and priorities through strong bipartisan cooperation between Congress and the Administration. And, together, we can ensure our trade policy continues unlocking opportunity for all Americans.

Thank you again for the opportunity to testify. I am happy to take your questions.

[The prepared statement of Ambassador Froman follows:]

*Ambassador Michael Froman
United States Trade Representative
Written Statement
House Ways and Means Committee
January 27, 2015*

Chairman Ryan, Ranking Member Levin, Members of the House Ways and Means Committee, thank you for the opportunity to testify on the President's trade agenda.

The Obama Administration's economic agenda of creating jobs, promoting growth, and strengthening America's middle class is supported by the work we do at USTR: opening markets and leveling the playing field to ensure that American workers, farmers, ranchers; manufacturers and service providers; innovators, creators, investors and businesses – both large and small – can compete in the world's fastest growing markets.

Building on Record Breaking U.S. Exports

In 2014, USTR built on record-breaking exports, market opening initiatives, intensive engagement, and trade enforcement to achieve strong results for America's economy. The data is compelling: Unemployment has dipped to 5.6 percent and we are creating more than 200,000 jobs per month. Those jobs include a gain of 786,000 new manufacturing jobs over the last five years. Manufacturing exports have grown by 9 percent a year on average. Our total exports have grown by nearly 50 percent and contributed nearly one-third of our economic growth since the second quarter of 2009. In 2013, the most recent year on record, American exports reached a record high of \$2.3 trillion and supported a record-breaking 11.3 million jobs.

It's clear, more exports means more good jobs and more jobs are dependent upon exports than ever before. That's why we've worked hard to open more markets to Made-In-America goods and services, agricultural products, innovation, and investment. In the last four years, the increase in U.S. exports has supported 1.6 million more good jobs, which typically pay 13-18 percent more on average than jobs not related to exports.

Done right, trade policy unlocks opportunities for Americans. Done right, trade policy promotes not only our interests, but also our values. And it gives us the tools to make sure others play by the same rules as we do. The United States is an open economy and our borders are already open to trade. But other countries still erect real barriers to our exports.

Exports Drive Small Business Growth and Create Jobs Across the United States

Over the past year, I heard many of the stories behind these statistics. I listened to workers, small business owners, farmers and ranchers talk about their efforts to grow their businesses and create jobs. I traveled to Iowa to promote President Obama's "Made in Rural America" export and investment initiative through the White House Rural Council and meeting with dairy farmers in Wisconsin to talk about USTR's efforts to open new markets. I toured a small brewery in Denver and a waste water treatment equipment manufacturer in Cleveland, where I heard about each company's contribution to Colorado and Ohio's record-breaking exports last year. I met

with a high-tech firm in San Antonio and an advanced manufacturer in Baltimore to discuss the future of the digital economy and share how our trade agreements can unlock opportunities for their businesses. Today, more small businesses are exporting than ever before, and by tapping into global markets, these companies are able to increase their sales and their payrolls.

But we know that the status quo is not an option to compete in the global economy. And we know that our workers are competing against workers in countries that lack even the most basic labor rights. Our businesses are competing against companies that get subsidies from their governments or that don't have to maintain any environmental standards. If we sit on the sidelines, we will be faced with a race to the bottom in global trade instead of continuing to promote a race to the top. That's not how we want to compete. As the President said last week, we should be the ones to engage and lead. We want to take the field, establish the rules of the game that reflect our interests and our values, and do so with all the tools we need to win

Our trade agreements will support American jobs by boosting Made in America exports from our businesses, farms, and factories. In fact, for every \$1 billion we export, between 5,400 and 5,900 jobs are supported here at home. By opening rapidly expanding markets with millions of new middle-class consumers in parts of the globe like the Asia-Pacific, our trade agreements will help our businesses and workers access overseas markets, where 95 percent of the world's consumers and 80 percent of the world's purchasing power reside. Combined with our supply of energy, highly skilled work force, and culture of innovation, our trade agreements will help once again make America the global production platform of choice.

USTR Priorities for 2015

In 2015, USTR will take steps to: (1) lead the Administration's effort to secure Trade Promotion Authority with bipartisan support; (2) make significant progress to bring home high-standard trade agreements, including the successful conclusion of the Trans-Pacific Partnership (TPP) negotiations and the plurilateral deal to expand the Information Technology Agreement (ITA), and the advancement in the Transatlantic Trade and Investment Partnership Agreement (T-TIP), the Trade in Services Agreement (TiSA), and the Environmental Goods Agreement (EGA); (3) harness the preferential access provided by our FTA agreements to further expand exports of U.S. goods, services, and investment with those countries; (4) strengthen key trade and investment relationships, including with China, India, Burma, Taiwan, Brazil, and the countries of Sub-Saharan Africa; and (5) ensure that our trading partners honor their commitments, including in the WTO and under our trade agreements.

Unlocking Opportunities through U.S. Job-Supporting Trade Agreements

We're working harder than ever to bring home trade agreements that will unlock opportunities by eliminating barriers to U.S. exports, trade, and investment while raising labor, environment, and other important standards across the board.

Trans-Pacific Partnership (TPP)

In 2014, we significantly advanced negotiation of the TPP, a state-of-the-art trade agreement that will guarantee expanded U.S. access to the rapidly growing economies in the Asia Pacific. Together with the 11 other TPP countries, we have made important progress in the market access negotiations for agricultural products, industrial goods, services and investment, and government

procurement. We have also made substantial progress on ambitious, high-standard trade rules that will promote U.S. commercial interests and values in the region, in such areas as intellectual property, digital trade, competition with State-owned enterprises, and labor and environmental protections. The Peterson Institute for International Economics estimates that TPP will add \$123.5 billion to U.S. exports each year when it is fully implemented.

We continue to make progress in closing gaps related to autos, agriculture, and other market access issues in our bilateral negotiations with Japan. Japan agreed upfront to provide the longest staging of any TPP products for U.S. autos and truck tariffs, and we continue to work with Japan to address the long-standing barriers to American autos in the Japanese market. We will continue to closely consult with our auto workers and industry as the negotiations proceed in order to get the best deal possible for them. In agriculture, we continue to work hard to dismantle high tariffs, restrictive quotas, and complex administrative policies to create new opportunities for U.S. producers.

At the TPP Leaders meeting in November convened by President Obama, all 12 countries took note of the progress that has been made on TPP, and agreed that the end of the negotiation is now coming into focus. And the TPP countries reaffirmed their commitment to concluding a comprehensive, high-standard agreement, and to work toward finalizing the TPP agreement as soon as possible.

Transatlantic Trade and Investment Partnership (T-TIP)

With the new European Commission, the United States and the European Union see an opportunity for a fresh start in the T-TIP negotiations as we work to bolster our economic partnership that already supports \$1 trillion in two-way annual trade, \$4 trillion in investment, and 13 million jobs across the Atlantic. In November, President Obama and EU leaders reaffirmed their commitment to an ambitious, comprehensive, and high-standard T-TIP agreement. We look forward to building on the progress we've made at the 8th T-TIP negotiating round next week in Brussels and we hope to make good progress across all chapters in 2015.

World Trade Organization (WTO)

At the WTO, the United States played a critical role in building consensus on the first-ever fully multilateral trade agreement in the 20-year history of the WTO, the Trade Facilitation Agreement (TFA). As WTO Members move towards TFA implementation, the cost of trading for developed and developing countries alike will be significantly reduced. By some estimates, the global economic value of the new WTO deal could be worth hundreds of billions of dollars. In November, the United States and China announced a major breakthrough in negotiations to expand the scope of goods covered by the WTO Information Technology Agreement (ITA), which provided the basis for the resumption of plurilateral negotiations in Geneva. We are working closely with all ITA participants to bring about the successful conclusion of an ITA expansion deal as soon as possible. This would be the first major tariff-cutting deal at the WTO in 17 years and help boost American exports to growing markets around the world. When completed, the ITA expansion is estimated to cover roughly \$1 trillion in trade, adding \$190 billion to the global economy and supporting tens of thousands of good-paying U.S. manufacturing and technology jobs. The United States will also work with WTO Members to

develop a post-Bali work program that ensures balance among the largest Members in areas such as agriculture and industrial market access in the Doha Round negotiations.

Trade in Services Agreement (TiSA)

The United States is the largest exporter of services in the world, and in 2013, services exports accounted for a majority of U.S. export growth. Services liberalization abroad is necessary to sustain that growth for industries such as information technology and communications, distribution, energy services, environmental services, professional services, express delivery services, and more. U.S. service providers should have opportunities and fair treatment abroad that other countries' firms already enjoy in the United States. To support this vital sector, the United States engaged in the Trade in Services Agreement (TiSA) negotiations, a free trade agreement focused exclusively on services. TiSA brings together nearly two dozen countries, which makes up more than two-thirds of the global trade in services market. In 2015, we will continue to push for greater access and promote fair and open competition across a broad spectrum of service sectors.

Environmental Goods Agreement (EGA)

In July 2014, 14 WTO Members, including the United States and China, launched negotiations on the Environmental Goods Agreement (EGA) at the WTO. The goal in 2015 is to make essential progress toward our environmental protection and economic goals by eliminating tariffs faced by American exporters on a range of environmental goods. Tariffs on these environmental goods, including wind turbines, solar water heaters, and catalytic converters are unnecessarily high and limit the technological advancement for green technologies. In fact, as I speak, my team is in Geneva at the 4th round of negotiations pushing for the inclusion of key clean energy technologies, of which the United States is a major producer.

Agriculture

In 2013, U.S. farmers and ranchers exported a record \$148.7 billion of food and agricultural goods to consumers around the world. And we expect that we had another record year in 2014. Going into 2015, the Administration aims to help build on that record performance. America's strong competitive advantage is greatly due to our agricultural exports, and liberalizing trade in agricultural goods remains a priority issue in all of our bilateral engagements. We will open new export markets through our ongoing trade negotiations, including TPP and T-TIP. We will continue to work to remove non-science based sanitary and phytosanitary measures restricting exports of a variety of U.S. agricultural products.

Manufacturing

In 2013, the United States exported nearly \$1.4 trillion in manufactured goods, which accounted for 87 percent of all U.S. goods exports and 61 percent of U.S. total exports. Here too, we expect that 2014 was a record year. In 2015, the Obama Administration will continue to pursue trade policies aimed at supporting the growth of manufacturing and associated high-quality jobs here at home and maintaining American manufacturers' competitive edge. U.S. manufacturing is vital to our economy and the Obama Administration is committed to making sure that the United States is competitive in attracting businesses to locate here. This is why we support a dynamic manufacturing sector and research and development policies to support broad-based innovation and advanced manufacturing that will help U.S. workers and firms win the future. As

American manufacturers increase their capacity to produce more advanced and value-added goods, consumers around the world continue to place a high value on Made-in-America products. Across our trade negotiations, we aim to create rules that ensure state-owned enterprises (SOEs) do not compete unfairly with private firms, and seek to ensure that rules of origin and global supply chain provisions create conditions for manufacturers to locate here in the United States.

Innovation, Intellectual Property, and the Digital Economy

America's economic growth and competitiveness depend on its capacity to innovate. Our trade agreements, including TPP and T-TIP, promote strong and balanced IP protection and enforcement while opening markets for U.S. produced IP-intensive goods and services. In negotiations, like TPP, we are working to ensure access to affordable life-saving medicines, including in the developing world, and create incentives for the development of new treatment and cures that benefit the world and which create the pipeline for generic drugs. And to ensure we are advancing a balanced policy and defending jobs that rely on innovation, we are committed to receiving input from across the spectrum of the U.S. economy: those who create, distribute, produce, and use intellectual property.

We will continue to support a free and open Internet that encourages the flow of information across the digital world. We know that the impact of digital trade is enormous, and thus that a supportive trade framework is critical for its continued expansion. Therefore, among the other twenty-first century issues we are addressing, we are modernizing our trade agenda to promote growth in the digital economy in particular. We will continue to work closely with Congress and all our stakeholders on a wide range of trade issues related to the protection and enforcement of copyrights, trademarks, patents, trade secrets, and other forms of IP. We will also work to push back against efforts by our trading partners to improperly use geographical indications to limit the ability of our farmers and exporters to use common food names and trademarks for their products.

The theft of U.S. intellectual property puts American jobs at risk and generates counterfeit products that can pose a threat to the health and safety of consumers around the world. We utilize our annual "Special 301" Report to identify and resolve IP concerns with many trading partners. This year, it included specific focus on India through an out-of-cycle review during which we were able to highlight the need for India to increase its engagement with the U.S. Government and with U.S. stakeholders on a broad range of IPR issues identified in the Special 301 Report. Use of the out-of-cycle review helped to secure commitments from India in the 2014 Trade Policy Forum on a broad range of IP issues of concerns to the United States and its stakeholders. And Israel, Italy and the Philippines were removed from the Watch List for their important legislative and regulatory reforms in enhancing intellectual property enforcement.

Enforcement Tools Utilized to Protect U.S. Trade Rights Around the World

As we work to open markets around the world, we are simultaneously working to hold our trading partners accountable for their commitments under existing agreements so that American workers, businesses, farmers and ranchers get the full benefit of all the economic opportunities the United States has negotiated over the years. From day one, the Obama Administration has shown an unwavering commitment to enforce our trade rights around the world. Within existing

resources, we have undertaken a bold and ambitious trade enforcement agenda reflected in the scale, scope, and systemic importance of our disputes. And for every part of our economy, USTR is fighting on their behalf - from American auto workers to farmers to high-tech manufacturers that need rare earth metals to American service providers.

WTO Enforcement

USTR is building upon significant WTO victories for the United States as we move forward with a robust monitoring and enforcement agenda in 2015. We continue to build on our strong success with major victories in several WTO disputes. In June, the WTO found that China had breached WTO rules by imposing on American cars and SUVs unjustified extra duties, which were assessed on over \$5 billion of U.S. auto exports in 2013. In August, the WTO found that China again breached WTO rules by imposing duties and quotas on exports of rare earths, tungsten, and molybdenum, which discriminate against U.S. manufacturers of hybrid car batteries, wind turbines, energy-efficient lighting, steel, advanced electronics, automobiles, and more. In October, a WTO panel found India's ban on U.S. agricultural products – such as poultry – allegedly to protect against avian influenza was imposed without sufficient scientific evidence, among other things. And earlier this month, the WTO finalized the outcome of a dispute against Argentina's import licensing requirement and other import restrictions that were imposed as protectionist measures against billions of dollars of Made-In-America electronics, aerospace, pharmaceuticals, precision instruments, medical devices and motor vehicles and parts. These outcomes are an example of our strong record on trade enforcement. For the 18 WTO complaints filed since 2009, every single case that has been decided has resulted in a win for the United States. And when you consider those victories I just mentioned – the range of trading partners, the types of trade barriers, and value and diversity of exports involved – the power of robust trade enforcement becomes clear. We're absolutely committed to ensuring American workers get all the benefits of U.S. trade agreements because we've seen that trade, done right, supports high-quality, middle class American jobs.

Enforcement of U.S. Free Trade Agreements

The Administration also continued to vigorously monitor our FTA partners' implementation of their obligations under Congressionally-approved FTAs. Under the CAFTA-DR, the Administration proceeded with a labor rights enforcement case against Guatemala to ensure it implements the labor protections to which its workers are entitled. We convened Labor Affairs Council meetings with our counterparts in Peru and Panama to discuss labor rights, including labor inspections and subcontracting arrangements. We convened FTA labor subcommittee meetings with Jordan and Morocco, where we discussed Jordan's progress on the Labor Implementation Plan, which was signed by both governments in 2013, and a U.S. Department of Labor (DOL) technical assistance project to combat child labor and empower women in Morocco. We engaged in constructive FTA labor consultations with Bahrain in 2014. Also working together with DOL, USTR released a report in April describing the progress and the work that remains in Colombia to address concerns about labor protection and labor rights. We also convened Environmental Affairs Councils and other bilateral meetings with our CAFTA-DR partners, as well as with Morocco, Panama, and Peru to review progress under our environmental chapters and discuss concerns. To ensure that the U.S.-Korea FTA is fully implemented, we worked closely with our Korean counterparts to make important progress in resolving issues related to customs origin verification, financial services, and automotive issues.

We will continue to be vigilant in 2015 to ensure that Korea, along with our other current FTA partner countries, fully adheres to the letter and spirit of their FTAs.

Deepening our Trade and Investment Partnerships Around the World

The Administration continues to work to deepen our trade relationships around the world. This includes engagement with China, India, Burma, Sub-Saharan Africa and other regions to address concerns with our bilateral trading partners.

China

On China, the Administration made progress on a wide range of issues, including protection and enforcement of trade secrets and other intellectual property rights, as well as SOEs, investment, services, global drug supply chain integrity, and transparency at the U.S.-China Strategic and Economic Dialogue in July. These engagements yielded concrete changes which support jobs and exports from the United States. We also made significant progress on key issues like transparency and a level playing field in competition law enforcement, agricultural biotechnology, the protection and enforcement of trade secrets, and technology localization at the 25th Joint Commission on Commerce and Trade held in December. There was further progress in the pharmaceutical sector at the JCCT, where China agreed to streamline its approval processes for pharmaceutical and medical devices. We also intensified our negotiations toward a Bilateral Investment Treaty (BIT) with China and expect to initiate the critical “negative list” market access negotiations in early 2015.

India

In November, I led a U.S. delegation to the U.S.-India Trade Policy Forum (TPF), the first TPF since 2010 and an important step in invigorating our bilateral relationship. The TPF provided the forum for the discussion of several key trade and investment issues, including intellectual property rights, agriculture, services, manufacturing and others. The meeting resulted in substantive work plans for regularized engagement across these priority issues. In advance of this meeting, India and the United States worked together to address outstanding concerns arising from the WTO Bali package which, with the support of the other WTO members, will now allow the Trade Facilitation Agreement to be fully implemented. For 2015, we are planning a significant ramp up of our engagement with India to strengthen our bilateral relationship and work to address outstanding concerns in a number of areas.

Burma

In November, the United States launched an initiative with the Government of Burma, the International Labor Organization, Japan and Denmark to improve fundamental labor rights and promote responsible business practices in Burma through a multi-year labor law reform plan and a stakeholder consultative mechanism. This is part of broader efforts to promote responsible trade and investment practices and sustainable economic development. Earlier in the year, the United States held the first-ever Trade and Investment Framework Agreement meeting with Burma to address economic reform, implementation of Burma’s WTO commitments and labor rights.

Taiwan

We continue to make progress with Taiwan on a broad range of trade and investment issues through the TIFA Council, during which Taiwan took concrete steps to lift data center localization requirements, address technical barriers to trade, and clarify investment criteria. Taiwan also made important commitments involving investment, agriculture, pharmaceuticals, and medical devices. In 2015, we look forward to make progress on these and other trade and investment issues important to the United States and Taiwan.

Brazil

After resolving the long-standing cotton dispute with Brazil, we are looking to enhance cooperation on trade and investment through the U.S.-Brazil Agreement on Trade and Economic Cooperation. Brazil is one of the most dynamic countries in the world and a top customer of the United States for value-added goods, such as machinery, aircraft, chemicals and fuels. Our 2013 goods trade surplus of \$16.5 billion is our largest in the hemisphere. In 2015, we will explore opportunities to deepen cooperation on a number of issues of mutual concern, including innovation, trade facilitation, and technical barriers to trade, and working together to reduce barriers to agriculture trade in third markets.

Africa

In August, President Obama welcomed leaders from across the African continent for the historic U.S.-Africa Leaders Summit, which marked the largest event any U.S. President has held with African heads of state and government. During the Summit, I convened the AGOA Forum Ministerial with African trade ministers to discuss the future of the African Growth Opportunity Act (AGOA) program and opportunities to strengthen trade and investment ties between the United States and Africa--one of the world's most dynamic and fastest-growing regions. Before those meetings, President Obama determined that Swaziland would no longer be eligible for AGOA benefits because it failed to meet AGOA's eligibility criteria related to internationally recognized worker rights. The President also determined that Madagascar should regain its AGOA eligibility, following that country's return to democratic rule following a 2009 coup d'état. Later in the year, the President determined that Guinea-Bissau would regain its AGOA eligibility following its return to democratic rule, and that The Gambia and South Sudan would lose their AGOA eligibility for reasons related to AGOA's human rights criteria. In addition, USTR hosted separate Trade and Investment Framework Agreement (TIFA) Council meetings with Nigeria and Angola. The Administration stands ready to work with Congress to renew the AGOA program prior to its September 30, 2015 expiration.

Generalized System of Preferences (GSP)

The United States is committed to creating economic growth and development around the world through our trade preference programs, trade capacity building, and other initiatives. The Generalized System of Preferences (GSP) – the oldest and most widely used U.S. preference program – provides developing countries with duty-free access on a range of goods. The GSP program promotes economic growth in developing countries while also helping to improve competitiveness for U.S. business because it reduces the cost of imported inputs used in U.S. manufacturing and production. We have made effective use of the GSP statute's labor provisions to encourage trading partners such as Bangladesh to make greater efforts to ensure respect for internationally recognized labor standards within their economies. The

Administration urges Congress to expeditiously renew authorization of the GSP program, which lapsed in July 2013, and we stand ready to work with you to that end.

In addition to important emerging markets, the United States will continue our robust engagement with trading partners around the world as we seek additional bilateral and regional trade and investment opportunities to help increase U.S. exports and grow our economy. The United States will seek to advance trade-enhancing investment measures with key trading partners in order to continue attracting the best jobs and industries here in America.

Trade Promotion Authority (TPA)

Let me build upon the President's remarks on trade at the State of the Union. As the President made clear last week, the Administration is committed to securing bipartisan Trade Promotion Authority. America has always been strongest when it speaks with one voice, and that's exactly what Trade Promotion Authority, or TPA, helps us do. TPA puts Congress in the driver's seat to define U.S. negotiating objectives and priorities for trade agreements. It clarifies and strengthens public and Congressional oversight by requiring consultations and transparency throughout the negotiating process. It makes clear to our trading partners that the Administration and Congress are on the same page negotiating high standards in our trade agreements. There is no other area of policy that reflects closer coordination between the Executive branch and Congress than trade policy. And in return, I can promise you that we'll continue working hard to strike balanced agreements that benefit our workers, employers, our environment and the economy at large.

The previous TPA legislation was passed over a decade ago and we agree with the Congressional voices that an update is necessary. The global economy has changed significantly since 2002 and Congressional views on labor, environment, innovation, and access to medicines need to be memorialized while the rise of the digital economy and the increasing role of SOEs need to be addressed. We agree with the broad group of stakeholders that these issues should be reflected in a new TPA bill.

The Administration looks forward to continue working with this Committee and the new Congress as a whole to secure TPA that has bipartisan support. We also look forward to renewing Trade Adjustment Assistance (TAA), which helps provide American workers with the skills to compete in the 21st century.

Promoting Increased Engagement and Transparency in Negotiations

As we work to open markets to support more American jobs, an important part of that work is keeping the public, Congress, and a diverse array of stakeholders engaged and informed. We believe that public participation, Congressional input, and an open national debate enhance trade policy. And to ensure these agreements are balanced, we seek a diversity of voices in America's trade policy.

The Administration has taken unprecedented steps to increase transparency. Those steps have resulted in more public dialogue and outreach on trade agreements like TPP and T-TIP than on any other free trade agreements in history. This includes the more than 1,600 consultations we've had on TPP alone. We have provided access to the current negotiating texts of both agreements to Members of Congress. We have previewed every new U.S. proposal with the

Committees of jurisdiction before tabling them in both negotiations. And we have briefed interested Members of Congress before and after every negotiating round—seeking feedback at every stage of the game.

The Administration has also engaged with the public around its trade agenda in new ways. We have held public hearings soliciting the public's input on the negotiations and suspended negotiating rounds to host first-of-a-kind stakeholder events so that the public can provide our negotiators with direct feedback on the negotiations. We have also shared information on the current status of the negotiations through an array of tools on our website.

We are always looking for new ways to engage the public and welcome input, including from your committee, which will help inform and guide our trade policy. Enhancing transparency will remain a priority, consistent with the ability to deliver on our ultimate mission, which is to deliver agreements that achieve the maximum possible benefit for the American people.

Conclusion

The Obama Administration's trade agenda is focused on expanding opportunities to export more Made-in-America products, support jobs at home, and create economic growth by opening overseas markets and leveling the playing field for American workers, farmers, and businesses. In doing so, we will continue to advocate for strong, enforceable rules that promote core U.S. values and interests, including protection of U.S. creativity and innovation, access to medicines, fundamental labor rights, and robust environmental commitments. We can only accomplish these shared goals and priorities through strong bipartisan cooperation between Congress and the Administration. We look forward to working with you to ensure our trade policy creates opportunities for all Americans.

Thank you again for the opportunity to testify today. I am happy to take your questions.



Chairman RYAN. Thank you. I have a lot of questions, but I will keep it to a couple, in the interest of the Members' time.

Last week the President came, gave us the State of the Union, and called for Congress to pass Trade Promotion Authority. And, look, I don't agree with the President on a whole lot. But, on this one, I agree. And so, we have here a bipartisan opportunity to make a good difference for trade, for jobs, and to pass bipartisan legislation—to make divided government work, in other words.

We are going to have to update TPA, we are going to have to have a smart rewrite of the law that is appropriate. The question I have, because this has to be a bipartisan effort, is what is the Administration doing to build support among Democrats for TPA?

Ambassador FROMAN. Thank you, Mr. Chairman. We have been engaged for much of the last year-and-a-half with Democrats and Republicans on the Hill to brief them on TPP, and to engage them and make sure they are aware of what it is we are negotiating. And I want to thank Mr. Levin, in particular, for the process that he has organized over the last year that allowed us to have some deep-dive discussions on various issues on TPP. And we have a whole-of-government effort, including the White House and the Cabinet, that are out there, talking about TPP, the importance of it, and, of course, also TPA.

So, we are fairly mobilized, and we are consulting with Members of Congress. We have—as I said, the Cabinet and the White House, including the President, are very much engaged on this issue. And we look forward to working with you to secure progress there.

Chairman RYAN. I am from Wisconsin. Our license plate says, "America's Dairyland." But we are quickly becoming the world's dairyland. So I want to go into dairy with you, if we will.

In 2013, our dairy exports grew by 41 percent. Exports are becoming only more important than the entire U.S. dairy sector. They are becoming bigger than the beef sector, which is still pretty high. So it is pretty impressive. This is why we need to open up more markets for our dairy products in TPP countries.

And this is my concern. I am concerned that Japan is not doing nearly enough, and that Canada is not even negotiating to remove significant tariff and non-tariff barriers to U.S. dairy. I am concerned that TPP countries might restrict the use of many common food names under the guise of "geographical indication requirements." The EU, for instance, insists that countries adopt these unjustified GI protections if they want to have trade with their members. We need to address these trade barriers.

Look, this is my favorite cheese. It is Wisconsin Gouda, smoked Gouda, made in Monroe, Wisconsin, and smoked at Swiss Family Smokehouse in Evansville, Wisconsin. For generations, we have been making Gouda in Wisconsin. And for generations to come, we are going to keep making Gouda in Wisconsin, and cheddar, and feta, and everything else. So, it is extremely important that we do not allow these countries we are entering into trade agreements to use these kinds of improper barriers to block U.S. dairy exports.

So, give me a status report on where things stand on these non-tariff and also tariff barriers with TPP, EU, and Canada, in particular.

Ambassador FROMAN. Well, we couldn't agree with you more, and we are approaching—let's take dairy market access, really, in three ways.

One, as you said, is to eliminate tariffs, or reduce tariffs wherever we possibly can. Second, to deal with SPS issues, sanitary and phytosanitary issues, to make sure that other countries apply sanitary and phytosanitary standards based on science, and not on politics. And, third, on the geographical indications. We think all three are important to having effective market access there.

We are making good progress in TPP on market access, including in dairy. We are not done yet, but we have been working with Japan over the better course of a year on the issues, going line by line through dairy, which is one of their sensitive products, and determining where there can be tariff elimination and where there can't be tariff elimination. And it is a priority for our producers, working with the Government of Japan, to find a way to create meaningful market access. As I said, those negotiations aren't finished yet, but we have made good progress.

On the SBS standards, I think we are making progress on ensuring that they are based on science.

And on geographical indications, I think you are—our system, in our view, works for Europe and the rest of the world. There are 18 trademarks registered in the United States to Parmesan Reggiano. And the European Union sells hundreds of millions of dollars, if not billions of dollars, of cheese in the United States. But we can't sell cheese in Europe.

And so, we believe our system of trademarks and common names is the appropriate way to go. We are working with our TPP partners to find a way for them to operate, both with the United States and the European Union, as partners. That protects our ability to access those markets.

Chairman RYAN. Canada?

Ambassador FROMAN. And on Canada, we have been engaged with them from before they came into TPP, and made it clear that this was an issue that was of great interest to us. They also underscored that it was sensitive to them. We are working with them, and we hope that we will be able to achieve a successful outcome there.

Chairman RYAN. So we still have a ways to go to close these things out. That is pretty clear, I think, and most people on this Committee would agree with that.

I could go on, but I will—in the interest of time, I would like to yield to the Ranking Member, Mr. Levin, for any questions he might have.

Mr. LEVIN. Thank you. I asked anybody if they had some car keys. I didn't bring mine. You raised cheese.

Chairman RYAN. I have—

Mr. LEVIN. I know. These are the best keys we can find.

[Laughter.]

Chairman RYAN. I thought you would have your universal with you.

Mr. LEVIN. But, so, it relates to—here we go.

Chairman RYAN. If the gentleman will yield, the reason I have the cheese here is because it is a bet from Mr. McDermott. I lost a bet with Dr. McDermott, so it is actually his cheese.

Mr. LEVIN. Where is the cheese?

[Laughter.]

Chairman RYAN. So if you want to go ahead and pass it on down to him, he can have his cheese.

[Laughter.]

Mr. LEVIN. Jim, you want to come up here? I don't want it. Take a picture with it.

Chairman RYAN. And some free-range organic—

Mr. LEVIN. But, look, I hope that doesn't come from—thanks.

You know, I was tempted to raise car keys, because one of the issues is the domestic industry has been unable to get cars into Japan. We have been trying for decades. And we need to have more than a negotiating objective. We need, all of us, to be involved in how an objective is being implemented specifically. We need to be involved in that process. And I could ask you about that, and I know you would say good progress has been made. But there are outstanding issues, in terms of what will really happen.

And the same is true, Mr. Chairman, in terms of dairy. I think it is—I would liken it to a TPP. I think we need to be very actively involved as the specifics are put together.

And when Mr. Froman, Ambassador, says to you, "It is good progress," I think he is saying that sincerely. But, in terms of ag products, we need to know what the heck is going on, and be able to lean in if it isn't going well, or how it should go, on a regular basis. That is our challenge. It is not broad challenges, it is specific provisions. So, I just want to emphasize that.

Let me just turn now to another issue I want to ask you about, because I could ask you about currency, but you are not the Secretary of the Treasury. On currency, which has so much to do with the livelihood of Americans, their paychecks, that issue hasn't yet been broached in TPP. There has been no discussion. And, as you and I have talked, Mr. Chairman, we need to be very much involved in pushing that issue, and getting it into the TPP negotiations, because it impacts the paychecks of American workers and the prosperity of American businesses.

And so, we can talk as much as we want—and we should—about the importance of exports. We also have to look at the path of imports. And currency has had a major impact on the imports that have come into this country, and displacement. And we have to have that full rounded picture, and our participation in how we address TPP so it comes out with a product that meets our needs and has a strong base of bipartisan support.

So, let me just say—ask you about transparency. We discussed this last week, and I think—I can't speak for you, but it was a subject of interest to both of us. So, we haven't been able—we, Members of this Committee—to look at all the documents, to have staff write down what is in the text. And also, for us to know not only what other nations are proposing, but the specific proposals of other nations.

And I think, for us to be able to actively help frame a TPP that is worthy of support, we need to have that access. And so that isn't

a matter of negotiating objectives, it is a matter of the specifics that we need to be part of. We need to find a way to do that.

So, there is just 41 seconds left, if you would respond, please.

Ambassador FROMAN. Well, thank you, Congressman. And, clearly, consultation with Congress is a vital part of these negotiations. And it is not just the number of consultations, it should be also the quality of the consultations. And we look forward to addressing any of those specific issues that you want to address to get into details, and to dive deeply into, chapter by chapter, issue by issue.

As you know, all Members have access to the negotiated text. Several dozen have taken advantage of that. And we continue to look for ways that we can expand transparency and participation, and there are a wide range of views on that issue, including among Members of this Committee and of the Senate Finance Committee, and we look forward to working with you and the Chairman, since it does touch upon the jurisdiction of this Committee, to determine the best way forward on that issue.

We can always do better on transparency, and we are committed to working with you to find the best way forward.

Mr. LEVIN. Okay, thank you.

Chairman RYAN. And I think we are all in agreement we need to come to resolution on this.

Mr. Johnson is recognized.

Mr. JOHNSON. Concern has been raised by some that Congress and the American people may not be adequately consulted during trade negotiations.

Let me ask you. Doesn't TPA actually strengthen congressional executive consultations? Yes or no?

Ambassador FROMAN. Well, yes, Congressman, it is a mechanism by which Congress can update the procedures that they think are appropriate for consultations before and during—

Mr. JOHNSON. Well, are you listening to us? That is what the question is, I guess.

Ambassador FROMAN. Yes, absolutely. And part of our efforts to consult with this Committee, and more broadly, is to ensure that we have your input.

I also just want to correct a misperception that is out there that somehow this is going to get voted on before there is adequate time for the public and Congress to review it in great detail. Of course, it will be public for months and months before there is any vote in Congress, under traditional grants of Trade Promotion Authority. And there will be hearings, and there will be questions, and there will be scrutiny. And that is very much part of the process.

At the end of the day, it is only Congress that can decide whether the trade agreement goes into effect or not. And we will make that judgement.

Mr. JOHNSON. Yes, I hear you. Let me ask you. Is the President, this Administration, committed to following TPA requirements to the letter?

Ambassador FROMAN. Yes. I mean we follow—we have—are very much committed to working with you on TPA and in TPA, following the requirements with regard to the various provisions—

Mr. JOHNSON. Okay, and we are negotiating trade deals in the Asia Pacific and with Europe. And I wonder if you could tell us how TPA helps lead to better job-creating trade agreements for America?

Ambassador FROMAN. Well, these trade agreements are going to open up markets for our exports. They are going to help level the playing field for our workers and our firms. They are going to help protect American jobs and protect American workers. They are going to create fairness, in terms of a level playing field. And, ultimately, they put us, not other countries who may not share our interests and our values, in the driving seat, in terms of setting the rules of the road for the international trading system.

So, in all those regards, this is an important step forward for defending American workers and American jobs.

Mr. JOHNSON. I agree with you. And what is the Administration doing to help show Americans that job-creating potential, or trade agreements, to build support for TPA?

Ambassador FROMAN. Well, we are mobilizing our entire Cabinet and our White House, our whole government is out there, talking about this. We have been out, myself and Secretary Pritzker, Secretary Lew, Secretary Kerry, Secretary Vilsack, Secretary Perez, have all been out talking with—around the country talking about the importance of moving ahead with this trade agenda.

I will tell you that today we re-launched our website, and on the website it has State-by-State material, in terms of the benefits of trade on a State-by-State basis. And we continue to develop that material as we—as the agreements are coming—the final agreement is coming into focus. And we are going to continue to work with you to make sure we get that information out to the public.

Mr. JOHNSON. Good for you. Have you ever been to Texas?

Ambassador FROMAN. I have been to Texas.

Mr. JOHNSON. Okay. Thank you, Mr. Chairman.

Ambassador FROMAN. Thank you.

Mr. JOHNSON. I yield back.

Chairman RYAN. Thank you. Dr. McDermott is recognized.

Mr. MCDERMOTT. Thank you, Mr. Chairman. I didn't get my salmon over here to give you in exchange.

Mr. Froman, global access to affordable biologics is a key component of this negotiation. And, unlike small molecule drugs, biologics are derived from organisms. They are used to treat cancer, rheumatoid arthritis, MS, and a variety of other things. In many ways, they represent the new frontier of medicine.

For example, some of the drugs that have showed promise in Ebola are biologics. The prominence of these drugs in the lives of patients will grow in the coming years. In the next 5 years, for example, one-quarter to one-third of all new medicines approved by the FDA are expected to be biologics.

Now, while these drugs represent the most—the next frontier, they are also very expensive. The annual cost of the biological drug Herceptin, to treat breast cancer, is \$48,000. In Peru, one of the 12 countries that is part of the Trans-Pacific Partnership, breast cancer is the leading cause of death among women. But the cost of a drug like Herceptin is out of reach for working-class women in Peru. According to World Bank figures, the gross domestic prod-

uct per capita in Peru is \$6,270. That is seven times—takes 7 years' work to buy treatment for the cancer.

Before entering Congress, I worked in Africa, and worked on the AIDS epidemic, and I saw what we were able to do by using generics in the treatment of that epidemic. We brought it under control. So, my question really comes down to this: Why is the U.S. Trade Representative's office putting forward provisions that would threaten access to affordable biological drugs in the TPP negotiation?

Let me be specific about what I mean. A USTR provision is setting data exclusivity for biologics, meaning that the patent holder has the data, and nobody can make a generic until that exclusivity runs out. Your tabling something at 12 years would mean a longer time for people to wait for lower-cost drugs. The President is advocating a 7-year period of data exclusivity in biologics. So a little bit more than half. I don't understand why you are going twice the length of what the President is talking about. Or is that—is there just no clarity?

Are you willing to tell us what you are really adopting? Because a 12-year standard, if we adopt it in TPP, would make it impossible for us to have it after 7 years in the United States. That means people who could have access to the drugs because of the cost of generics being markedly reduced, would be denied them for 5 years more because of a trade agreement we made with Trans-Pacific Partnership.

And I don't understand how you think that works. It seems to me there ought to be one standard for the world. And I don't think that it ought to be a long one. If the President says seven, let's—why aren't we talking seven? Why are you talking 12?

So tell me about this data exclusivity, how long you think you are going to negotiate, where it is today. Because some countries don't have any data exclusivity. Some have a 5-year standard. Some have a 7-year standard. And we are talking 12. Where are we going?

Ambassador FROMAN. Thank you, Congressman. Thank you for all your leadership on that issue.

Look, this—we have 40 million Americans whose jobs are related to IP-intensive industries. And our goal is, on one hand, to promote innovation and creativity in this country, and also to ensure access to affordable medicines, particularly in developing countries, consistent with the May 10th framework that Mr. Levin, Mr. Rangel, and the previous Administration worked out. And that is the position—

Mr. MCDERMOTT. Are you saying that what you are putting forward on the table now is consistent with what we did in Peru in the May 10th agreement?

Ambassador FROMAN. So that is the approach we have been taking to these negotiations, where we look at where countries are, and their stages of development, and have a differentiated approach, depending on where they are in their development.

Now, you are absolutely right. Five countries have zero years of protection, four have 5 years of protection, two have 8 years of protection, and we have 12 years of protection. And this is an area where, right now, there is no consensus among the countries about

where to end up. But the approach we have been taking is to ensure both the promotion of innovation—because without the innovation you can't have generics, and you can't have biosimilars down the road—but also ensuring the affordable access to medicines, depending on a country's level of development. And that is the approach that we are taking in TPP.

Mr. MCDERMOTT. And you are saying the President has not said 7 years?

Ambassador FROMAN. I think it is well known that, in the President's budget, is proposed 7 years. Twelve years is currently the law of the land. And the practice that we use in our trade agreements, if Congress has spoken on a particular element like that, that is our initial position.

Chairman RYAN. Thank you. Mr. Brady.

Mr. BRADY. Thank you, Mr. Chairman, for calling this hearing. Ambassador, thanks for your good work on leveling the playing field for our American companies and workers around the world.

You know, the world has changed. It is not enough to simply buy American; we have to sell American all throughout the world. And the world's economy has changed since we last did Trade Promotion Authority. It has been 13 years. The economies—the existing TPA is outdated, and doesn't reflect, really, the 21st century economy our businesses and workers are competing in.

I have noticed that the bipartisan draft from last year includes a balanced currency provision that creates tools for the Administration to seek and address currency manipulation. I think that balanced approach is the right one and, going beyond that, creates real risks and challenges—especially risks—to the United States.

One risk—challenge is that it will miss the mark. In truth, savings and investment in a country drives much of the value of their currency. Monetary policy and fiscal policy does—is a huge part of it, as well. Japan is a great example. The currency intervention didn't have an impact; monetary policies had a huge impact on depreciating the yen.

There are challenges in getting this right. Both at the WTO and the IMF, the currency rules are already fully enforceable. But, as both the Bush and the Obama Administrations have noted, that often this is a challenge in setting the standard, defining manipulation. And there is a concern that will distract from more likely efforts to address currency manipulation around the world.

And here is my point. Defining manipulation of currency, you really—is dependent upon defining the intent of a country. And that creates risks for the United States where it could expose us to litigation in the trade agreement.

For example, particularly quantitative easing, which—a country could argue that the Fed's QE reduced the value of the dollar by almost 8 percent, whether that was the intent or not. Not only would we be tied up in litigation, it really would distract from real efforts. And I think that also helps shield real currency manipulators like China, who are outside of current trade agreement negotiations and wouldn't be subject to these new obligations. And so, not only does it create risk, you miss the real target on currency manipulation.

So, my question to you is, isn't the Obama Administration committed to ending currency manipulation? And will you be using all your tools within TPA and across a broad spectrum of multinational organizations, to address currency issues?

Ambassador FROMAN. Well, thanks, Congressman. Yes. I mean currency misalignment is a top priority for the Administration. And from day one we have worked to create a more level playing field by encouraging countries to move toward market-determined exchange rates, and to deal with persistent misalignment.

The Secretary of the Treasury, obviously, has the lead on this issue, and I know he will be here next week, and may speak on this further, if you like. But we have been engaged, whether it is directly with countries like China, where, from the President on down, we have pressed China to move toward a more market-determined exchange rate. In June 2010 they began to let their currency appreciate. It has now appreciated about 15 percent in real terms. Not far enough, not fast enough. We are continuing to press them for market-determined exchange rates.

We have been pushing in the G7 where appropriate, the G20, the IMF. We are using every mechanism possible to try to achieve that objective.

Mr. BRADY. Are the tools within the TPA provision, as drafted, helpful to you as you address this issue around the world?

Ambassador FROMAN. Well, I think, as this Committee and the Finance Committee proceed with a TPA bill, we will want to have conversations with you about that.

Mr. BRADY. Right.

Thank you, Chairman.

Chairman RYAN. Thank you. Mr. Lewis.

Mr. LEWIS. Well, thank you, Mr. Chairman. Thank you for holding this hearing.

Mr. Ambassador, thank you for being with us today, and thank you for spending so much time meeting with Members of this Committee. Mr. Ambassador, I happen to believe that trade policies should be a reflection of the values that we share, as a Nation, and as a people. I would like for you to speak to the issue of human rights, labor rights, and environmental issues.

Ambassador FROMAN. Well, thank you, Congressman. And I completely agree that this gives us—our trade agenda gives us an opportunity to promote our values, as well as our interests, in a critical part of the region and around the world.

That is why it is so important, what we are doing in TPP, for example, on labor and the environment. Again, building off of the May 10th agreement, this agreement will have the strongest possible labor and environmental provisions, and they will be fully enforceable. They will be in the core of the agreement, and they will be fully enforceable, including with the availability of trade sanctions, just like any other provision of the trade agreement. That is what we are seeking in this negotiation.

And we will take labor provisions, as an example, and be able to apply them now to half-a-billion people. And that is a huge transformation from where we were 22 years ago, with NAFTA, where labor and the environment were considered side issues. And, over time, there has been a bipartisan consensus that has emerged

that it should be treated like other issues in a trade agreement. So I think that is a very important development there.

We are also working specifically with countries where labor issues are particularly acute, whether it is Vietnam or other countries, to work with them to figure out how they can bring their labor regime into conformity with international labor standards.

And, again, this is only possible because we are engaged with them in TPP. If we didn't have TPP as our avenue for that engagement, there would be no possibility of improving the lives of workers in these countries and, hence, leveling the playing field for our workers. This is both important to do as a matter of values, creating dignity of work around the world, but it is also very important to leveling the playing field for our workers and our businesses who are competing right now against low-wage workers around the world.

Mr. LEWIS. Mr. Ambassador, you mentioned Vietnam. Are you free to tell Members of the Committee where we stand with Vietnam? It is only one labor union, by law.

Ambassador FROMAN. We are working with them, and having a series of conversations about how to bring their system into conformity with international labor organization standards, including on rights of association, collective bargaining, forced labor, child labor, non-discrimination, acceptable conditions of work, which include minimum wage, maximum hours, and safe workplace conditions, and what kind of capacity building they are going to need as part of that. I am happy to arrange a time to sit down and brief you in more detail about that.

Mr. LEWIS. Mr. Chairman, I would like to yield the balance of my time to Mr. Doggett.

Mr. DOGGETT. Thank you, Mr. Lewis.

Chairman RYAN. The gentleman is recognized for 1 minute, 38 seconds.

Mr. DOGGETT. Ambassador, would you be willing to place several copies of the latest bracketed draft with the negotiating position of each of our trading partners here in a secure room in the Capitol, so that Members and their staff with high security clearance would be able to go in, study it, take notes, and review it for as long as they feel it is necessary, in order to be good partners with you?

Ambassador FROMAN. This is one of the ideas that has been suggested, and we are hoping to have a conversation about that with the Chairman, the Ranking Member, and also the Finance Committee, to determine what the best procedures are for—

Mr. DOGGETT. My understanding is—

Ambassador FROMAN [continuing]. Addressing that.

Mr. DOGGETT [continuing]. That something similar was done back during NAFTA at different stages. And it seems to me that this negotiation over TPP has been going on for years, but there are strong restrictions on the ability of Members of Congress to study it.

Has any step been taken since I raised this concern in our meeting with you last Wednesday, to provide greater access to Members of Congress, and let us have the opportunity to know, if we are con-

cerned about cheese in Wisconsin, what position the Canadians are taking?

Ambassador FROMAN. Well, we are having conversations with, again, the Chairman, the Ranking Member, and the same on the Senate side, precisely around those questions.

Mr. DOGGETT. Well, I have great confidence in both of them, but all of us have a vote on this that is the same as theirs. Why shouldn't all Members of Congress be able to get access with their secured staff, and take such notes as they may feel necessary in order to record where various trading partners are—or what position they are taking?

Ambassador FROMAN. Well, as you know, every Member of Congress can access the text. Several dozen have, including some Members of this Committee. And we are happy to arrange a time to come up and show you whatever text you would like to—

Mr. DOGGETT. There are severe limitations on it. I will continue a little later.

Chairman RYAN. Yes, you will have time when you have time.

Mr. Nunes is recognized.

Mr. NUNES. Thank you, Mr. Chairman.

And, Mr. Froman, I want to thank you for always making yourself available for myself, and I think the other Members, taking the time to go down to USTR. And you have been willing to share the information, and I would encourage all the Members to go down and do that.

I am going to be very brief. I am going to submit five questions for the record. I also would like to reiterate the Chairman's comments or concerns about Japan and Canada, as it relates to agriculture, in general. Japan still has to go farther. Canada has to put an offer on the table, or they could blow this entire deal up.

And then, finally, I would just encourage you to pass TPA, help us pass TPA, sooner, rather than later. We are going to need the Administration's help on that.

I would like to yield, with the Chairman's permission—support, I mean, to the gentleman from Ohio, Mr. Tiberi.

Chairman RYAN. The gentleman is recognized.

Mr. TIBERI. Thank you. Ambassador Froman, you have communicated the enormous benefits of trade to the United States economy over and over again. And, as you know, international trade supports nearly 40 million U.S. jobs. And the share of U.S. jobs tied to trade has actually doubled in the past 20 years. In addition, trade-related jobs pay an average of 18 percent more than non-trade-related jobs in the United States. And the President and you have both said that U.S. economic growth depends on exports and doubling, tripling exports, because 95 percent of the world's consumers live outside of the United States of America.

As Chairman Ryan said, we have a number of major negotiations ongoing right now, and I, for one, want to make sure that you and your team have all the tools necessary to show our trading partners that there is a strong partnership between this Administration and this Congress, because the trading partners will then know that we are serious, and they will put their best offer on the table.

In that vein, can you explain to us in simple terms what renewing TPA means for you and your negotiating team, as you begin to finalize these negotiations in coming months?

Ambassador FROMAN. Well, Congressman, we have been working, on the one hand, to proceed with TPP negotiations, and to complete elements of those negotiations consistent with ambitious, comprehensive, high-standard benchmarks that we have set for ourselves.

On the other hand, we have indicated that we want to work in parallel with Congress, bipartisan, Democrat, Republican, House and Senate, to proceed with TPA. And I think that has allowed us to continue to proceed with the negotiations and continue to make progress. And we look forward to also making progress on the TPA bill.

Mr. TIBERI. Another issue. China and several other countries have repeatedly targeted U.S. exports by biased remedy investigations, often in retaliation for legitimate trade actions taken by the United States.

And one, specifically, the Grain-Oriented Electrical Steel, the GOES dispute, is one that hits close to home for me and my district. It is a dispute in one of a string of WTO disputes, as you know, that demonstrates China's systematic abuse of its trade laws to support its own industrial policies. And through a severe lack of transparency and due process, you know the WTO has ruled in our favor, in the United States' favor. And I really appreciate the work that you and your team have done thus far, specifically on the GOES issue.

China has made some encouraging new commitments. However, many of us are concerned about the implementation of these commitments. As we go forward, what are you and the Administration going to do? These are jobs in my district, for instance, manufacturing jobs in Zanesville, Ohio. So we win, but yet, we still don't win, if you know what I mean. How can we improve on this? What are the metrics?

Ambassador FROMAN. Well, look. I think we have to be very aggressive in holding China and our other trading partners' feet to the fire when it comes to applying their trade remedy laws in a WTO-consistent way.

We have brought 18 cases before the WTO, the most ever above anybody, 9 of them against China. And a few of them in this particular area, which is the misapplication of their trade remedy laws: the steel case; the autos case, which affected, I think, over \$5 billion of U.S. auto exports; a poultry case, where they were doing the same thing, and applying their trade remedy laws. We have won each one of those, and we are going to continue to press them to bring their application of their trade remedy laws into compliance with their WTO obligations.

Mr. TIBERI. I look forward to working with you on that.

Ambassador FROMAN. Thank you, sir.

Mr. TIBERI. Thank you.

Chairman RYAN. Thank you. Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman.

Ambassador, thank you for being here again, and for all of the work that you are trying to do. I want to touch on the subject of

currency because, to me, that is—if a country is going to cheat by devaluing its currency for the exclusive purpose of making its products look cheaper by keeping its currency value down, it obviously hurts American companies and American workers, because it is tougher for us to sell our products to those countries that are devaluing their currency. It makes it tougher for our companies to compete with those competitors in that devalued country when it comes to selling those products, our products, against their products in other countries, because they have that advantage when it comes to currency.

And I am very concerned that we have yet to hear that this is an issue, currency manipulation, that will be included in any trade agreement. And I know that often there is discussion about how you can do this through other fora, but my sense is that we are not taking this as seriously as we should. From left and right, economists tell us that we can—we are losing somewhere between 1 million to 3 or 4 million jobs by allowing countries to manipulate their currency and still bring products into the United States, dump them in our country.

So, I am wondering if you can go through with me the four factors that the IMF considers relevant to determining whether a country is manipulating its currency.

The first one is excessive foreign exchange reserves. If a country has really large surpluses in reserves of foreign currencies, and it still has a really low-value currency, something is up. Well, my understanding is that the United States has the 19th largest foreign exchange reserves, less than countries like Thailand and Algeria. In fact, our reserves, our foreign exchange reserves, are 25 times smaller than China's. Would that be a factor that we would concern ourselves with if we are trying to include currency manipulation in any agreement, because we might be concerned that someone would accuse us of currency manipulation?

Ambassador FROMAN. Well, Congressman, let me answer the question this way. As you know, this is an issue of high priority. And, you are right, we have been pursuing it through a number of means, whether it is bilaterally through the IMF, as you note, as well as through the G7 and the G20.

I think we share the same concern about the impact of this—

Mr. BECERRA. Ambassador, I am going to run out of time. I am trying to figure out if—which of these factors we are concerned will impact us, and we will be accused of foreign manipulation, or manipulation of our currency, if we don't include—if we try to include a deal on currency manipulation in a trade deal.

So, do you think that we could be accused of holding excessive foreign exchange reserves?

Ambassador FROMAN. Again, I am going to defer to the Treasury Secretary, who is in charge of this.

Mr. BECERRA. Okay, so let me ask—

Chairman RYAN. If the gentleman would yield just very briefly, we are going to have the Treasury Secretary here on Tuesday.

Mr. BECERRA. I understand. But, again, Mr. Ambassador, you have been talking about intellectual property. That is usually handled by the World Intellectual Property Organization. You have talked about issues of labor. That is usually handled by the Inter-

national Labor Organization. So I am hoping that you are willing to talk about currency manipulation, which is one of the, I think, severest forms of imbalanced and unfair trade that a country could engage in.

Sometimes it is tough for some countries that don't have real strong institutions to enforce laws when a business is out there, undercutting American industry. You know you have to go after those businesses. But when a country itself is manipulating its currency to gain an advantage over Americans, American companies and American workers, that, I think, is despicable.

And if we don't try to do something to avert that, we are essentially sending a very clear signal to those countries: "We want to deal with you; we don't care if you enforce, because we are going to let you, yourself, violate the agreements, so you can let your businesses do the same thing."

The second factor that the IMF typically considers in determining whether a country is trying to manipulate its currency to its advantage is that the country has a long and sustained surplus. I think we can move very quickly past that one, because it has been quite some time since the United States has had a long and sustained surplus.

The third factor would be protracted, large-scale intervention and currency markets. We rarely—unless you can tell me otherwise—purchase foreign currencies. And certainly we haven't done it in some kind of protracted or large-scale manner.

And the fourth factor that the IMF considers is fundamental misalignment of currency. Fundamental misalignment, meaning it is valued in ways that it shouldn't be. If anything, our dollar right now is over-valued, not under-valued.

And so, I am wondering where of those—which of those four factors we are concerned—we would be found in violation of if someone were to attack us for trying to manipulate currency by doing the quantitative easing policies that the Federal Reserve has done, which has helped keep interest rates low, and has helped a lot of Americans afford to buy a home, and a car, and so forth. I just am concerned that we see no action on the part of the Administration on something that, bipartisanship, an overwhelming number of Members agree on.

Chairman RYAN. Thank you, Mr.—

Mr. BECERRA. So I hope you will get back to us on that.

Chairman RYAN. Thank you.

Mr. BECERRA. Thank you, Mr. Chairman. I yield back.

Chairman RYAN. Mr. Reichert is recognized.

Mr. REICHERT. Thank you, Mr. Chairman. Welcome, Mr. Ambassador. It's good to see you again. Thank you for all your hard work and for meeting with the Friends of TPP Caucus, and also for meeting with the Committee last week. And I know we are working on some additional meetings, possibly even with the President, to help with your efforts on TPA and TPP.

But I wanted to just initially raise an issue that you and I spoke about last week, I think, and it is really a critical issue, and I know kind of outside your sphere of responsibility. But I am hearing increasing concerns from my constituents about the West Coast Port contract negotiations. I understand there has been some minor

progress made in the last couple of days, but, simply put—and I know you recognize this—the longer these negotiations continue, the greater the impact on our economy and the American workers.

From my district alone, I have heard from apple growers and hay producers who have lost half of their businesses and, in turn, have had to lay off employees because they are unable to export their products without delay. One grower in my district has laid off 200 employees out of 1,000. And if this goes on, in another couple of weeks we will lose another 40 jobs, waiting to see, you know, how these negotiations turn out. And they are on track to lose \$1 million a week. So this is—it is critical.

In the short term, Washington apple and pear growers have lost an estimated \$70 million in sales. In the long term, they are worried about the loss of business, their reliable producers, and if they will be able to recover some of their losses, and recover some of their customers, because they are going to lose that customer base. So this is a devastating way to realize how important trade is to communities in Washington State and across the country.

And I just bring this to your attention, and hopefully you would encourage the Administration, the President, and others to become engaged and involved in this process.

Ambassador FROMAN. Well, thank you, Congressman. And thank you for your leadership on the TPP, Friends of TPP Caucus.

My understanding is that the parties to the dispute have requested Federal mediation, and the Federal Mediation Service has agreed, and is involved now in mediating that dispute. And we are hopeful that it gets resolved at the bargaining table.

Mr. REICHERT. And I share that hope with you. Also, just to dig a little deeper into a question that Mr. Tiberi posed, and that is the importance of TPA. I wonder if you could apply it to a specific topic that the Chairman brought up, and that is dairy, in Canada and Japan.

How important, really—you know, I want to maybe hear from you how you are going to sell TPA. If I am somebody opposed to TPA, how would you tell me—how would you sell that to me, you know, as it applies to Canada and Japan and the dairy-producing parts of our country, how important and how critical that is, and how it might impact your negotiations there in a positive way?

Ambassador FROMAN. Well, look. Historically, TPA has been an expression of the fact that the United States is negotiating with one voice, and that there is support, both in Congress and the Executive, for moving ahead. Our trading partners are following our political process and our policy process here closely. And, as a result, we have been able to continue our work in parallel on moving the TPP agenda forward, including on market access, as we move forward with Congress to make progress toward bipartisan Trade Promotion Authority.

Mr. REICHERT. Do you have a timeline on TPP?

Ambassador FROMAN. Well, we are in the end game, and the number of outstanding issues have been reduced greatly. But the ones that remain are still significant, and our negotiators, as we speak, are meeting with the 11 other countries to try to resolve issues.

So, I hate to put a deadline on it, because I think the timetable has to be determined——

Mr. REICHERT. I know——

Ambassador FROMAN [continuing]. By the substance. But I think all the leaders around the TPP countries have focused on trying to get this resolved in a small number of months.

Mr. REICHERT. My last issue is localization requirements. Any comments on that?

Ambassador FROMAN. It has been a key part of our TPP effort, as part of our digital economy chapter. This is the first trade agreement that will bring into the digital economy fundamental principles from the real economy. And one of the key factors there has been to push against requirements that require companies to build redundant infrastructure in a country in order to serve that market.

Mr. REICHERT. Are you making progress?

Ambassador FROMAN. We are making progress. We are not done yet, but we are making progress.

Mr. REICHERT. All right. Keep up the good work. I yield back.

Ambassador FROMAN. Thank you, Congressman.

Chairman RYAN. Mr. Doggett.

Mr. DOGGETT. Thank you, Mr. Chairman.

And thank you, Ambassador. Again, returning to the subject of secrecy, I think there is a big difference between quantity and quality on transparency. And, as you know—and I have attempted to resolve this in a private arena—when a Member of Congress goes in to take a look at this agreement, they can't take notes, they can't be sure what position is being taken by which of the various trading partners in TPP. And, if they have a Chief of Staff or a trade rep who is—has a security clearance that would allow them to look at documents about ISIS, they cannot look at what the position of the Vietnamese is in this trade agreement.

That is not practicing transparency, it is practicing secrecy. And I can't find a legal basis for that type of restrictive environment. And I would just urge you to take immediate steps to change it, and to do something similar to the process that I outlined, so that there is ready access for us to be partners with you on this.

A second issue that I think goes to the heart of this, the Chairman referred to generally in his opening statement. Every trade agreement and every bit of trade legislation that has been considered here in this Committee that I participated in—I voted for more of them than I voted against, but each time we hear the promoters say something about all the jobs that will be created, we hear the detractors talk about all the jobs that will be eliminated. Practice may be that both had some truth. But I am interested in knowing more about whether the Administration has analyzed whether previous claims about our trade agreements did produce net job growth, agreement by agreement.

For example, in the most recent round, we had the U.S.-Korea Free Trade Agreement. Isn't it accurate that, while the Administration claimed that there would be thousands of new jobs created through that trade agreement, that to date we have actually experienced job losses, net job losses?

Ambassador FROMAN. Thank you, Congressman. Let me start with Korea and work backward.

First of all, let's take all of our FTAs together. As the Chairman said, if you take FTAs as a group, we have a trade surplus.

Mr. DOGGETT. Yes, I heard that——

Ambassador FROMAN. And manufacturing——

Mr. DOGGETT. Just focus on Korea for a minute.

Ambassador FROMAN. And manufacturing services, agriculture, and that trade surplus have been growing.

Our Korea agreement started going into effect exactly when Korea started going into an economic downturn. And it underscores the fact that trade balances, bilateral trade balances, are much more a factor of macro economics than they are of trade agreements. Notwithstanding that, during a period of time when Korean imports from Japan declined by 12 percent, and Korean imports from China declined by 3 percent, Korean imports from the United States climbed by 2 percent. And that was, in part, because we were able to reduce barriers, on a relative basis, to key markets.

During this period of time our auto exports have grown by 80 percent in value terms. Our big three have grown by over 20 percent a year—from a low base, but they are growing. And when we dis-aggregate the numbers—because you and others have raised this question, so we spent some time looking at this—the decline of certain exports during that period were accounted for completely by corn, where we had a drought in this country and we stopped exporting corn, and by a decline of the export of coal, which reflected the decline in the Korean economy.

Now that the Korean economy is coming back——

Mr. DOGGETT. There may be many other well-justified reasons why this happened, but to date we have not experienced the job growth that the Administration predicted. Isn't that right?

Ambassador FROMAN. Last year our goods exports to Korea were up 7 percent——

Mr. DOGGETT. I am just asking you about the job growth out of that——

Ambassador FROMAN. Well, it is——

Mr. DOGGETT [continuing]. Out of that——

Ambassador FROMAN. For every billion dollars of increased exports——

Mr. DOGGETT [continuing]. At the beginning, 7,000 jobs.

Ambassador FROMAN [continuing]. It supports——

Mr. DOGGETT. We haven't had that, have we?

Ambassador FROMAN. For every billion dollars of exports—first of all, Korea is still being implemented. Not all of the tariff cuts have been put in place. But for every billion dollars of increased exports, it supports somewhere between 5,400 and 5,900 jobs in this country. Last year, our goods exports increased by 7 percent. Our services exports increased by 25 percent.

Mr. DOGGETT. I am glad to hear that, but we have not achieved what the Administration said we would have. But if you feel that we need to take the long-term view, rather than just a couple years, would you react to the Department of Agriculture report in October that we will not see, as I read it, any measurable effect on

U.S. real GDP in 2025, relative to the baseline on agriculture exports from TPP?

Ambassador FROMAN. Well, we think everyone is expecting there to be significant agriculture export increases. We have reached a record level already last year at \$150 billion. And this agreement will bring down tariffs, and——

Mr. DOGETT. You disagree with the report that bringing down those tariffs won't increase GDP?

Ambassador FROMAN. I think there are a number of reports out there, including the Peterson Report, the—a number of others——

Mr. DOGETT. I am referring to USDA October 2014.

Ambassador FROMAN. Well, I am happy to take a look at that and come back to you on it.

Chairman RYAN. The time of the gentleman has expired. Dr. Boustany is recognized.

Mr. BOUSTANY. Thank you, Mr. Chairman.

Ambassador Froman, I want to thank you for your fine work and your team, and I also want to thank your team for bringing negotiating text over to my office for review, and answering a lot of questions about our negotiating position and our interlocutors, as well. So it was very helpful, and I hope to continue to do so.

I want to talk about China for a moment. Since the Third Plenum, the Chinese leadership have consistently talked about how the market will play a greater role. And yet, their government actions seem to belie this statement, particularly with anti-monopoly law and other elements that they are using to create discriminatory practice.

So, what is the Administration's strategy for 2015 to deal with this? Can you give us some insights? I know we have JCCT, SNED, and so forth, high-level negotiations, but what are we really doing to try to get to the bottom of all this?

Ambassador FROMAN. Well, we have all those issues very much on the table, as you said. And you are absolutely right, that if you read the Third Plenum statements, there are a number of positive comments out there about letting the market play a greater role. And part of what we are doing, whether it is in there pushing on the way they look at technology, intellectual property rights enforcement, forced localization, the application of their anti-monopoly law, or the liberalization of various sectors, we are pressing them to take actions that are consistent with their own words in the Third Plenum.

One of the areas we are doing that through is the Bilateral Investment Treaty negotiations, where we expect that, this year, they will give us a so-called "negative list." And the importance of the negative list is that it means that China will open up its economy for various activities, except for things that are specifically regulated on that negative list. So if the negative list is very long, then they are not terribly serious about opening their economy. If it is short, and targeted, then it will help reinforce reform within China. And that is certainly something that we want to encourage.

Mr. BOUSTANY. And do you feel like we are making progress in narrowing down that list?

Ambassador FROMAN. We have not yet seen the list. They are playing—they have told us they will be giving us the first version of that list the first part of this year.

Mr. BOUSTANY. The first part of this year. Okay. Congratulations on getting a little bit of a breakthrough at APEC on ITA. Can you give us a little indication of the status in Geneva now on the actual tariff reductions?

Ambassador FROMAN. Well, that breakthrough with China allowed us to restart the negotiations in Geneva. This is an agreement that will cover \$1 trillion of trade. It is estimated to add \$190 billion to the global economy, and support 60,000 additional jobs in the United States.

We are now pressing the parties to try to reach closure on it. I think there is a fundamental dispute between Korea and China over various products, and we are encouraging China to show some flexibility and to try to bring closure to this.

Mr. BOUSTANY. Last year I asked you about the Jones Act and the Administration's position on maintaining our policy with regards to the Jones Act. Is that still the Administration's position?

Ambassador FROMAN. It is. There are a number of parties who are interested in expanding access to our maritime services. This has always been a sensitive issue for us, and we made that clear.

Mr. BOUSTANY. I appreciate that. With regard to shrimp imports into the United States, Malaysia and Vietnam have been problematic in regard—with regard to subsidies that they use. And we feel, down in the—on the Gulf Coast, that this creates unfair competition. So, in the context of our negotiations in TPP, I hope we will be addressing these issues, as well. I know we have a lot of work to do with Malaysia and Vietnam.

And finally, as my time is running down, the investor state dispute settlement mechanism, this is very important for a number of our industries. The energy sector, in particular. Could you give me a little indication of where we are with that in negotiations?

Ambassador FROMAN. Sure. The purpose of investor state is to give Americans abroad the same kind of protections that we provide under U.S. law, under our Constitution, to domestic and foreign investors in the United States. And the United States has been at the leading edge of reforming ISTS, updating it, upgrading it, to make sure it is absolutely clear that governments can regulate in the public interest.

We have closed various loopholes that we believe have been subject to abuse. We have raised certain safeguards, added additional safeguards about dismissing frivolous claims, being able to award attorneys fees, opening it up and making it more transparent so that civil society organizations and others can file briefs and see what the result is. But we think that, fundamentally, it is important that the 23 million Americans who work for firms that have investment abroad have the same kind of protections that we provide here, in the United States.

Mr. BOUSTANY. I thank you. And with the final seconds, just give assurances that the Trade and Services Agreement is still a top priority, as well.

Ambassador FROMAN. It is a top priority, and we are making good progress, and we hope this will be a very productive year in that regard.

Mr. BOUSTANY. Thank you. I yield back.

Chairman RYAN. Thank you.

Mr. Thompson is recognized.

Mr. THOMPSON. Thank you, Mr. Chairman.

Ambassador, thank you for being here. I agree that trade is a very critical part of our job creation in this country, but I also agree with my friend from Washington State, that it is hard to make it work when you can't get your product to market. And Washington is not the only State with port problems on the West Coast.

As you know, the Port of Oakland is experiencing some real problems. And I have had a couple of businesses in my district, one who couldn't get product to the UK during the holiday season, and that was a big hit for them, and another that has just about had to suspend all their business activities because they can't—they couldn't get the stuff in that they need to produce the product they sell.

So, anything and everything you can do to nudge the Administration into speeding up this settlement is critically important, because we can do all the trade in the world, if we can't get what we make on the boats and get it overseas, it is not going to help us much.

On one issue that we have talked about in the past, and that is the issue of rice, what is the status of the expanded market access for U.S. rice with Japan in both terms of the quality and—quality of the access, and quantity of additional U.S. rice allowed into Japan? And do you think they have put their best deal forward?

Ambassador FROMAN. I would say this is one of the outstanding issues on market access with Japan. And we are, as you suggest, pressing for both the quality and the quantity of the access to be increased.

Mr. THOMPSON. It is extremely important for, not only California, but a number of the rice States. And this is an important issue for me.

You visited my district back in 2013, and thank you very much for doing that. And you met with a range of folks who are involved in the wine business in my home county. And those home county folks, they talked to you about the issue of a—to develop a multi-lateral system to protect regional wine names and appellations, such as Napa Valley. And in many different countries, there is a huge problem with this. As you know, we constantly fight this battle with China.

But can you expand on how our trade agreements will help protect the names of appellations of origin, such as the United States, U.S. Government recognized delineated grape-growing areas, or viticultural areas?

Ambassador FROMAN. Well, we are working with stakeholders on that issue, and distinguishing what we can do there from the broader approach on geographical indications. But it is something that is important, and we have, as you know, a global world wine group that works on common practices in this regard, both labeling

and other issues related to the wine trade. And we are active in that group to try to promote those interests.

Mr. THOMPSON. I just can't emphasize enough how this is something that we just can't acquiesce on. This is a huge problem for that community, not just in my district, but throughout the country. And if we are not able to solidify good protections, this is a—it is a huge, huge problem. And the enforcement is also important, so I would hope that you take a real good look at that.

And can you give us an update on the short supply list, and how many products are on the list, what percentage of the current trade is covered by the list, and how any future changes will be accommodated?

Ambassador FROMAN. I can get back to you on some of those specifics, in terms of numbers. I will say that our approach to the textile and apparel parts of this negotiation is to combine our role with a short-supply list, strong rules of origin, and customs cooperation and enforcement to ensure that all those rules work well together.

We are not quite done yet in that negotiation, but we are close, and we are working to try to resolve the outstanding issues. And I can get back to you on the specific numbers of how many products are on the list.

Mr. THOMPSON. And how about the immediate elimination of duties on performance apparel that utilizes the short-supply list?

Ambassador FROMAN. I believe we have been working very closely with the outdoor industry, the outdoor apparel industry, and I believe we are coming up with a solution that they find to be quite constructive on that.

Mr. THOMPSON. And that includes the outdoor footwear folks, as well?

Ambassador FROMAN. I believe so, yes.

Mr. THOMPSON. Thank you. I yield back.

Chairman RYAN. Thank you.

Mr. Roskam is recognized.

Mr. ROSKAM. Thank you, Mr. Chairman.

Ambassador, thanks for what you are doing for our country. I appreciate it very much, and I know my constituents do, as well. I have two questions. One is kind of a blue-sky question, and then one is more technical.

The blue-sky question is this. You know, you think about all the things that we are talking about here. But if you step back, this could be great. I mean this could be really great if TPA happened, and TTIP, and so forth. In your opinion, how great could it be? So what is the growth that we are talking about, in terms of potential—you know, there are all sorts of estimates, but can you give a range for, you know, what you think is realistic, based on your experience? What is the growth that we could expect from TTIP, for example, the growth that we could expect from TPP, if you have put pen to paper.

Ambassador FROMAN. Well, let me take a step back and try to answer that.

I do think we are on the verge of something very important here, because through TPP, and through TTIP, and through the rest of our trade agenda, by focusing on protecting workers and protecting

jobs here, by creating a fair and level playing field, by raising standards abroad, and by making sure that we are the ones who are defining the rules of the road, consistent with our interests and our values, not ceding that to other countries, we are creating a network of high-standard agreements that puts us at the center of a free trade arrangement that, ultimately, will encapsulate two-thirds to three-quarters of the global economy.

And what that means is—and I see this—virtually every couple weeks I am visited by some company who comes and says that, because of the strengths of the American economy, the attractiveness of the market, the fact that we have strong rule of law, an entrepreneurial culture, a skilled workforce, and now we have affordable—abundant sources of affordable energy, when you layer on top of that these trade agreements, it makes the United States the production platform of choice. It makes the United States the place that companies want to put their next factory, their next production facility, both to serve the U.S. market, but also as an export platform for Asia, Latin America, and Europe.

So, without getting into the numbers, per se, because there is a wide range of numbers, I think we are really on the verge of something quite significant, in terms of positioning the United States going forward in a very positive way.

Mr. ROSKAM. I mean is this, like, 1 percent growth in GDP? Is this ½ percent growth? Is it 3 percent? Can you even—

Ambassador FROMAN. As an example, the Peterson Institute, who has done one of the studies of this, has suggested a .4 percent growth per year, just because of TPP, based on the 12 countries, I believe. On TTIP, there is a wide range of estimates, depending on what, ultimately, we are able to accomplish, in terms of trying to bridge our regulatory and standards differences. And so it is hard to estimate until that comes into greater focus.

Mr. ROSKAM. My next question is far more pedestrian. It is about catfish. So we have these catfish rules that I don't think the Administration likes particularly well. There's a lot of people in Chicago that don't like them particularly well. They are duplicative, and so forth.

Number one, is this on your radar screen? Number two, are you able to sort of navigate through—so that we don't get into a trade war hassle with Asia over catfish rules?

Ambassador FROMAN. Well, it is very much on our radar screen. I know Secretary Vilsack, it is very much on his radar screen. And we hope to be able to proceed in a way that is consistent with our obligations.

Mr. ROSKAM. Thank you. I yield back.

Chairman RYAN. Mr. Blumenauer.

Mr. BLUMENAUER. Thank you, Mr. Chairman.

Thank you, Ambassador. I appreciate people dealing down with the details. Details matter greatly. I want to identify myself with the comments you have heard about the goal here of, for example, as we are studying these, being able to have a staff member in the room with us. I think that ought to be a no-brainer. I think it would be helpful—it would help every single Member here, and I think we ought to just clear that way.

I also strongly identify with what you have heard about the concerns for engaging currency manipulation with Secretary Lew, with you, at every juncture. This is a huge reason why we have lost manufacturing jobs in this country. And I hope, going forward, we have currency provisions strengthened so that we don't fall victim to that in the future.

I appreciate my colleague, Mr. Thompson, mentioning apparel and footwear. The responses I am getting are very encouraging, and I appreciate your hard work in putting up with some of us talking about it. I think it is going to make a big difference. It makes a big difference in my community. Apparel and footwear is one of the reasons why we are, I think, the fourth-largest metropolitan area in the country, in terms of value exports. We have a surplus, both in terms of goods and services. Our State has a surplus with China. But being able to deal directly with these items in the way that—the spirit that has been offered, I think makes a huge, huge difference.

I would—there are two items that are of concern to me. I will briefly outline them, and get your response now, or I'll be able to follow up after the hearing.

The first deals with environmental provisions. And I appreciate that not all the 14—or the 12 countries are on the same page, environmentally. And I appreciate that the United States has been pushing, because many of our trading partners aren't there at all.

The area of illegal fishing drives me crazy. We are in a situation now where we have a third of the world's fisheries involved with these dozen countries. They are engaged in a practice absolutely not sustainable, a pretty reckless practice. And I have—originally, our conversations have been positive. I picked up some things from the advocacy groups, but I would appreciate elaboration on that.

The second deals also in the environmental sector. I have been deeply concerned about illegal logging. I have spent a lot of time on it. I have raised concerns with you about how aggressive we are in enforcing the provisions that we have negotiated with Peru. Illegal logging puts American companies at more than—put aside the havoc that it wreaks environmentally, the corruption, the harm to indigenous people, it puts American forest products and manufacturers in the hole about \$1 billion.

Let me just use, for example, an example of Japan. Japan is—we are in the final stages here, you have lots of provisions you are dealing with. They are the fourth-largest consumer of wood-based products, and they import a disturbingly high percentage of high-risk timber products. Their legality verification system is entirely voluntary, as near as I can tell, and has serious design weaknesses that limit its ability to eliminate illegal products from the Japanese market.

Can you talk about the work that you are doing, and how this might make a difference with illegal logging, specifically as it relates to Japan?

Ambassador FROMAN. Well, thank you, Congressman, and thank you for taking the time to read the text and give us some input on it throughout the negotiations.

Yes. I mean these areas, like illegal fishing and illegal logging, are one of the innovations of TPP. They are part of this conserva-

tion chapter, which goes beyond what we have done before, in terms of addressing environmental issues that are central to this region: wildlife trafficking; illegal logging; illegal fishing; the subsidization of over-fishing; issues around shark finning; and protection of the marine environment. All of this will make this a very strong agreement.

And the TPP countries, we are pressing them to take on obligations to deal with exactly what you are saying, which is to take action to address their illegal logging practices that are affecting trade with their markets. We are doing this, country——

Mr. BLUMENAUER. Comment about Japan.

Ambassador FROMAN. Well, all the countries will be taking on obligations to deal—to strengthen their capacity to combat the trade of illegal logging, the products of illegal logging, as well as in these other areas, and we are working with each country to determine whether they have the procedures in place, and what kind of procedures they will need to pursue in order to address them.

Mr. BLUMENAUER. Thank you.

Chairman RYAN. Thank you.

Mr. Smith.

Mr. SMITH OF NEBRASKA. Thank you, Ambassador, for being here today and sharing your insights. I think this hearing is particularly productive, and proof that we can tackle issues of common interest, and address the challenges that we see within a particular issue, especially as it relates to trade. And I know that these initiatives are very important, and you see that, and I appreciate the priorities that you see behind trade.

We know it is important to our economy, as an entire country. I know that the United States is the largest exporter of food and agriculture commodities. And, to brag a little bit, Nebraska's third district is the largest agriculture district in the country. So there is a lot of cheese that wouldn't exist without corn. We may not produce a lot of cheese, although we have a little bit in Nebraska, and we are happy to ship some to Wisconsin and points beyond.

But with ag interests in mind, I know that other Members here on the dais have referenced the dispute taking place at our ports, and I do want to add emphasis. The concerns that are out there, especially with products such as pork and beef that are allowed to spoil, and not just reducing the value a little bit, but eliminating the value all together, in many cases. And so, I would hope that we can get these issues resolved. I know it is not an issue of your particular jurisdiction, but I hope that you can address that with the rest of the Cabinet and other interested parties in the Administration.

Switching gears just a little bit, certainly I want to thank you for your efforts to engage the Chinese. It has been discussed a little bit as it relates to the S&ED and JCCT, but engaging the Chinese as it relates to biotechnology and innovation, certainly in the agriculture sector. And can you tell me how the Administration will keep this issue elevated throughout the course of the year, as it relates to the new strategic ag innovation dialogue?

Ambassador FROMAN. Well, thank you, Congressman, for mentioning that dialogue. This was one of the outcomes of the JCCT in December. We were able to secure the approval of three specific

biotech event applications, but, even more importantly perhaps, the commitment to engage in a dialogue about their biotech approval process more generally, and how to bring it into line with international practice and international standards.

So, this is a dialogue that USDA and USTR will co-chair, and will co-chair with a number of Chinese ministries on their side. And we are hopeful that this will help bring their system into conformity, so as to open further trade between ourselves and China.

Mr. SMITH OF NEBRASKA. And thank you. In a related vein, the European Union has not approved a single biotechnology product for import since the fall of 2013. Can you discuss how the United States plans to address ag biotech issues in TTIP?

Ambassador FROMAN. Well, we have raised this issue directly. I have had my third meeting with my counterpart, the new trade commissioner there. And at each one of these meetings, this issue has been raised.

We share the concern that they did not approve any biotech events over the course of 2014. There are, I think, now, as you say, 12 in the pipeline. And these are applications that have been approved by the European Food Safety Administration as being safe. And our position, overall on these issues—and were, generally, in TTIP—is that we are not trying to force anybody to eat anything in Europe, but we do think the decisions about what is safe should be made by science, not by politics. And we are encouraging them to move ahead, consistent with their WTO obligations, consistent with the European Court of Justice case that ruled against them for not approving such events in the past, and we are trying to encourage them and the new Commission to take these up.

Mr. SMITH OF NEBRASKA. Thank you, I yield back.

Chairman RYAN. Mr. Kind.

Mr. KIND. Thank you, Mr. Chairman. Ambassador Froman, I want to thank you for your testimony today. But also, I want to just quickly commend you and your USTR team for the level of engagement that you have had with this Congress thus far. This Committee, obviously, some of the breakout sessions we have had with Mr. Levin, with other Members who are not on the Committee, the numerous meetings and walk-throughs you have had with Members of my own coalition that I am leading, the New Democratic Coalition, and we do appreciate the access to text, and being able to walk through, with your team, specific questions or concerns that we have. And it is that level of engagement and partnership and transparency that is going to be crucial as we move forward in the coming days.

You indicated that you are in the final round now of negotiation with TPP. One word of caution. Obviously, these trade debates and votes are always difficult on the Hill, especially with the economic anxiety that still exists throughout the country. Having the best possible agreement that you can get is going to be crucial to finding the support that we need to get it across the finish line.

But a week-and-a-half ago my Green Bay Packers thought they were in a game that was 56 minutes long, not 60 minutes long, and literally fumbled the ball, and lost the game. I encourage you not to do the same thing in the course of these negotiations. We are, right now, the strongest locomotive engine when it comes to global

economic growth. And I can imagine that your negotiators across the table will be asking for us to make the biggest and last-minute concessions in order to get to yes in this agreement. But we need market access, we need May 10th, we need SOEs, we need all that as part of this agreement, so it is as strong as possible, so we can begin leveling the playing field for our businesses and our workers.

And I also appreciate the fact you took time last year to come into Wisconsin, my district, met with a lot of our businesses, large and small, but also did a visit to a family dairy farm and met with many of the family farmers there, too, expressing what TPP is all about, and the potential for trade in our region.

Oftentimes there is a lot of focus, or a lot of discussion or rhetoric that these trade agreements are nothing but SOPs to big businesses, done behind closed doors with a lack of transparency. But there is an important aspect of this when it comes to small business economic growth and sales.

And I wanted you to just take a moment to explain what the benefits are to small businesses throughout Wisconsin and the rest of the country with TPP, for instance, because today, if you are a small business with a good product or service and you are on the Net, there are no boundaries any more. So these agreements could have a tremendously important role for small business growth in our communities, as well. If you want to, take a moment to address that aspect of these negotiations.

Ambassador FROMAN. Absolutely, Congressman. And thank you for your leadership on—with the New Dems and, more broadly, on these issues. You are absolutely right. We have 300,000 firms in the United States that export: 98 percent of them are small- and medium-sized businesses, businesses with fewer than 500 employees. And yet, only about 10 percent of small businesses export, and most of those export to only one country.

And so, the opportunity is immense, including, as you say, through the Internet and through the digital economy. I have met with a number of different people who participate in something called Etsy. Etsy is an online platform, about 88 percent women, who sell baby clothes and toys, sometimes part-time out of their homes, and they are selling them all over the world. And when they engage through Etsy with their—the 95 percent of the customers of the world who live outside our country, they are using telecommunications services, software services, electronic payment services, express delivery services. Those are all issues that we are addressing in TPP, making sure that those services stay open, that our providers can continue to provide them and expand their access in these markets, to make it possible for small- and medium-sized businesses all over the country to engage in global commerce.

And that is just one of the many ways. This is the first trade agreement that is going to have a specific chapter on small- and medium-sized businesses, making sure that, from soup to nuts, this agreement works for them, that they become part of global supply chains, that they are able to take advantage of the growth of global markets.

Mr. KIND. And, finally, it seems as if battle lines are being drawn pretty quickly around here in regards to TPA or TPP, and it is a little perplexing to me, because we don't have an agreement

yet. And how can you come out in favor or in opposition to something that doesn't exist yet? And the same is true for TPA. We don't even have language yet, and yet, somehow, Members are starting to take positions already on things that are still in the works, and still being negotiated.

And I keep coming back to this one issue, and that is, if we do turn our back on TPA or these negotiations in TPP or TTIP, what are the consequences to the United States? Not only economically, but as far as global leadership.

Ambassador FROMAN. Well, I think the consequences are serious. I think the President referred to them the other night.

You know, we really face three alternatives: There is the status quo, which a lot of people feel aren't working for middle-class Americans, for working Americans; there is the trading system, where the rules of the road are defined by others who don't necessarily share our values or our interests, where they carve up markets at our expense, where they don't protect intellectual property, they don't take on SOEs, they don't preserve a free and open Internet, they don't respect labor and environment. That has to be worse for our workers and our firms than the status quo. And then, there is TPP, which gives us an opportunity to set the rules of the road for the most important, fastest-growing region of the world, and potentially, even more broadly, based on our values and our interests. So there is a tremendous amount at stake here.

Mr. KIND. Thank you.

Chairman RYAN. Thank you. Those bells are votes. We will do one more Republican, one more Democrat. That is 10 minutes of questions. That gives everybody time to get to the votes. There are three votes. We—it looks like the walk-off time is 4:15. We will recess, subject to the call of the Chair, after the second questioner, and then resume immediately after the third and final vote. So, for Members, please come back immediately after, we will resume.

At this time it is Ms. Jenkins' turn.

Ms. JENKINS. Thank you, Mr. Chairman, and thank you, Mr. Ambassador, for being here. I wanted to talk a little bit about Trade and Services Agreement negotiations. They have grown to include over 50 countries so far. The service sectors, as you well know, in these countries account for half of the world's economy, and over 70 percent of global services trade. As such, the Trade and Services Agreement has massive commercial potential, and must, along with our TPP and EU negotiations, be a top priority for Congress, the Administration, and U.S. industry.

Services represent roughly 80 percent of the U.S. GDP, and 75 percent of U.S. private-sector employment. So, increasing our service firms' export opportunities promises to be a major source of well-paying American jobs. Existing trade rules on services trade are over 20 years old, and I am enthusiastic about TSA's potential to update these rules among its Members and the incorporations protected for U.S. services suppliers that we have developed in our trade agreements and recent bilateral investment treaties.

But I hope our negotiating partners share our level of ambition. Could you just share with us what USTR will be giving a high standard TSA, the priority that it deserves, pressing to incorporate our best trade agreement protections for U.S. service suppliers?

Ambassador FROMAN. Well, thank you, Congresswoman, and that is very much high on our agenda. You have described it well, both in terms of the implications for the U.S. economy, and for the 75 percent of American workers who work in the services sector. And where we see some of the fastest potential growth in exports, we expect to come out of services, both directly, and because services and manufacturing are so much more intertwined than they used to be. So we are very much pursuing a high-standard agreement in Geneva, with those 49 other countries representing 70 percent of the global services market.

We have had a pretty good year last year, in terms of making progress in the negotiations. We have a good beginning of a set of rules. And I think 21 out of 23 negotiating entities have tabled offers. And we expect that this year will be an important year for making progress in those negotiations.

Ms. JENKINS. Thank you. Glad to hear it. I yield back.

Chairman RYAN. Mr. Pascrell.

Mr. PASCRELL. Yes, sir. Thank you, Mr. Chairman. Ambassador, thank you. I think that you have been more forthright than the last five reps, trade reps, put together. That doesn't mean I agree with you.

[Laughter.]

You know what is fascinating about the Peruvian trade deal, one of the very few I have ever voted for, was that there was movement before the agreement on the part—and I don't want to only talk about one country, as compared to the TPP—but there was movement on the part of Peru before the final agreement. There was effort made to have the other party show good faith. And I think that is critical. I think it is critical. I mean we have some major hurdles we have to cross over before we get to a final agreement.

The testimony before our Committee earlier this month, Professor Simon Johnson of MIT and the MAF, noted that, from 1986 to 2006, there was little change in average income for the bottom 90 percent of wage earners, while the top 1 percent experienced a gain of around 50 percent. The gains for the top one-tenth of one percent were even higher. The President referred to something along these lines in the State of the Union. This is particularly egregious because, during the same time period, the GDP in this country nearly doubled.

So, productivity growth amongst workers has increased by 50 percent. Trade isn't the only story here. But it is an important chapter. And I believe this is a very important decision we are going to make on the TPP. So increased international trade grows the pie. That is what economists tell us. But the gains go to the investors many times, the executives, the shareholders, and—at the expense of the workers. Now, that is not the case all the time, but it is too often. The political fault lines around trade are really boiled down to that reality.

So, the question the Administration needs to ask itself, I think, the question that Members of this Committee need to ask themselves, is how can we make sure the benefits of trade are more broadly shared. Now, I don't think you can do it through Trade Promotion Authority, or the individual agreements alone. We need strong rules to ensure that we have a level playing field, like tough

environmental and labor standards. We had that with the Peruvian agreement. It was not an easy thing to come to. Thanks to Members on this Committee who went down to Peru and worked things out, we had an agreement with Peru that we are proud of.

For many of us, enforceable provisions on currency are absolutely essential. You have heard that over and over. But we can't simply look at these deals in a vacuum. These challenges of globalization go far beyond just our trade policy. We need a more progressive Tax Code. Labor needs a bigger seat at the table. We need more investments in education and infrastructure to keep our workers in our country competitive. You have heard that today, too. We have had these things. If workers were really sharing in the benefits of trade, these deals would be far less controversial.

It is clear that our current trade policies have not worked for all Americans. There may be winners, but there are plenty of losers. There is a reason they are politically controversial. I wouldn't make light of that, either. I would strongly urge you to work with us, as you put together trade legislation this year, so that we can address the concerns many of us and our constituents have.

Mr. Froman, one area where I think we can improve is the enforcement of these deals. When I went back, historically, to each of these deals and what happened after, you know, from NAFTA on, the enforcement mechanism, it leaves a lot to be desired, if not enforcement itself. Having strong language on the environment and labor rights doesn't mean anything if we can't make sure our partners are living up to their end.

As the TPP alone represents 40 percent of the world's GDP, I believe you said, and the USTR will need the resources to enforce this deal, do you think—do you think—that the current enforcement resources in the different agencies, international agencies that you pointed out before, are adequate to protect American workers and businesses? Do you really believe that?

Ambassador FROMAN. Well, thank you, Congressman, and I agree with much of what you said. And I think it is absolutely important that we take those concerns seriously. And the only thing I would say is I would distinguish between globalization and its impact, as well as technology, and the impact of trade agreements. Because, in my view, trade agreements are how we shape globalization. It is how we level the playing field. The forces that you are talking about that have had an effect on wages include technology, they include globalization. We have the opportunity now to shape that, to improve that.

I think, on the enforcement question, I couldn't agree more. And I think we would very much like to work with this Committee and, of course, the other relevant committees, appropriators, and others, to make sure that the enforcement resources are there.

This President created something called the Interagency Trade Enforcement Center based at USTR, with a lot of active support by the Commerce Department and other departments. And that has allowed us to up our game, when it comes to monitoring enforcement. But there is more that we could do, both to authorize that, and to make sure that, whether it is at USTR or other agencies around the government, such as the Department of Labor and oth-

ers, they have the adequate resources necessary to fully enforce these obligations.

Chairman RYAN. Thank you.

Mr. PASCRELL. Thank you, Mr. Chairman.

Chairman RYAN. The member's time has expired. We—now we are going to adjourn—or recess, excuse me. We are going to recess, subject to the call of the Chair. I might note that Mr. Levin, Rangel, and myself, at 4:30, have to convene the Joint Committee on Taxation for the purposes of organizing that committee. This hearing will continue on, and then we will return after that subcommittee is organized.

So, we are—we stand in recess, subject to the call of the Chair.
[Recess.]

Chairman RYAN. The Committee will come to order. The Chair will advise the audience that disruption of congressional business is a violation of law, and is a criminal offense. Please come to order.

Now the Committee stands in recess, subject to the call of the Chair.

[Recess.]

Mr. REICHERT [presiding]. Thank you. This hearing will come to order. Thank you for your patience, Mr. Ambassador. We appreciate your returning and letting the rest of the Members ask their questions.

Just as a reminder, this hearing will be conducted in accordance with the Rules of the House and appropriate decorum.

And the first Member that is recognized for his 5 minutes is Mr. Paulsen.

Mr. PAULSEN. Thank you, Mr. Chairman. And let me just start by thanking Ambassador Froman, just for your responsiveness, for your leadership, and your engagement with my office, myself, and Members of both sides of the aisle, just to make progress on all of these issues. You have been very open and responsive, which I think has really helped move the needle forward on some real big opportunities for the United States and our trade agreements, obviously: TTIP, TPP, et cetera.

And let me ask you this. You know, we have seen a very disturbing trend in recent years whereby countries, they've been ignoring international commitments and standards, and this veiled attempt to support certain domestic industries and constituencies, and a lot of times, of course, those decisions can be very short-sighted. They ultimately discourage innovation, investment, and job growth.

And, you know, you look at a country like Indonesia, for instance, that has put in place these onerous local requirements—content requirements that have to be satisfied by U.S. products, such as mobile devices, in order to be sold in Indonesia. Or you look at India, for instance, that has challenges with our intellectual property issues. And, you know, what are you doing, going forward, to enforce, you know, existing IP and intellectual property commitments to deter these countries from weakening these types of standards in their own IP regimes, whether it is India or China, or other trading countries?

And maybe you can just speak a little bit to your efforts to help secure those protections that mirror U.S. law through the Trans-Pacific Partnership Trade Agreement. I know you were in India recently with the new government, and you can give us a little background, maybe, of the substance of your meetings, and if you feel we are making progress.

Ambassador FROMAN. Thank you, Congressman. Let me perhaps take that in two parts. On the intellectual property rights piece of this, within TPP we are certainly working to get the strongest possible standards, consistent with also ensuring access. And that will also have strong enforcement mechanisms around administrative actions and other actions that need to be taken to ensure that not only do the rights exist, but that countries are fully committed to enforcing it. Of course, India and China are not part of TPP, and so we have been engaging bilaterally with them on these issues.

And I would say, you know, with China, we have had some progress over the last few years, as there is a rising group of Chinese entrepreneurs and innovators who now see value in having intellectual property rights, and seeing them enforced. So I am hopeful that we are going to continue to make progress there. We have a long way to go, in terms of the legalization of software and the protection of patents and other issues. But I think we are hopeful about making progress there.

Similarly, we have engaged with the new government in India, and we have engaged broadly, because we have some common interests. You know, we have Hollywood, they have Bollywood. We have a common interest in seeing copyright rules be strong around the world, and be fully enforced. We are working—the Government of India has just put out a draft intellectual property rights policy for public comment, and we are providing comments, along with, I am sure, a number of other countries and stakeholders.

And so, we are hopeful to be able to engage with them in a constructive way, even in the pharmaceutical area, to look at all of the issues that relate to—of access to affordable medicines, which go way beyond intellectual property rights. It goes to issues like the fact that they have tariffs on certain imported medicines, or that there may be distribution issues in India that we can address. We want to look at this holistically, in an effort to try to move that agenda forward.

Mr. PAULSEN. Can you comment just real briefly on the market access barriers that are recognized by USTR Section 1377, “Review on the Compliance with Telecommunications Trade Agreements,” and the National Trade Estimate Report on Foreign Trade Barriers in respect to Indonesia? And maybe explain a little bit of what else you plan to do to help change the trajectory of the Indonesian protectionism that may exist in that area.

Ambassador FROMAN. Yes, we have had some good, high-level engagement with the new government in Indonesia. As well, the President met with President Joko Widodo in November, I just met with my counterpart last week. And we are both committed to trying to address the issues in our bilateral relationship to deepen our trade and investment relationship.

One issue you mentioned in your previous question was the issue of localization, forced local content. And that is an issue that is popping up all around the world. And it is, in my view, the next form of protectionism. And so it is something I think we need to be aggressive about. And part of being aggressive about it is engaging with countries who have a legitimate interest in wanting to build a manufacturing sector, as we have a very strong policy here of wanting to have a strong manufacturing sector, and engaging them about the importance of being part of a globally-competitive supply chain, as opposed to erecting walls around their country, and supporting the development of less competitive domestic industries.

So, it is going to be an ongoing effort with Indonesia and with others, but we are now engaged in that dialogue.

Mr. PAULSEN. Thanks, Mr. Chairman.

Mr. REICHERT. Mr. Young is recognized for 5 minutes.

Mr. YOUNG. Mr. Ambassador, it is great to be with you today. I appreciate you staying around for this—

Ambassador FROMAN. Sure.

Mr. YOUNG [continuing]. Hearing that has been extended for a while. I want to reiterate many of my colleagues' emphasis on Trade Promotion Authority. I have been very encouraged that you and the Administration continue to indicate that you are going to be seeking Trade Promotion Authority, and will do whatever it takes to earn bipartisan support for that effort. And please, let us know how we could be helpful in that regard.

With respect to the Trans-Pacific Partnership negotiations, I have a specific concern, and it pertains to a sector very important to my home State of Indiana. Broadly, it is the life sciences field, but that includes pharmaceuticals and medical devices. And, as you negotiate with Japan, in particular, but also many of the other countries that are parties to the Trans-Pacific Partnership Agreement, transparency and concern about fair reimbursement are major issues, especially seeing as a number of these countries have national health systems that are very different from our own.

I just want to make sure that all parties, businesses as well as consumers, understand that their decisions about reimbursement for pharmaceuticals and medical devices are made on the merits, according to optimizing healthcare outcomes, and nothing else. Could you speak to this matter, please? And, specifically, indicate whether the Japanese are being helpful.

Ambassador FROMAN. Well, we are—we have been proposing something called a Transparency Index to promote the kind of transparency and due process that we have here, in the United States, under U.S. law, in something called the National Coverage Determination under Medicare, where an individual can make an appeal to how a medical device should be covered under insurance. It doesn't determine the level of reimbursement. It is about making sure that there is fairness and due process. And it doesn't have any effect in our country, because it is already part of U.S. law, and doesn't have any effect on Veterans Affairs or Medicare, Medicaid, or anything of that sort.

But we do think this is a helpful step toward greater regulatory transparency, and it is something we have been promoting with the

other countries. We don't yet have a full agreement on that by other countries, and I am—and I will have to think through what Japan's position is on it. I am happy to get back to you on that. But it is something that we think would help promote greater transparency and, ultimately, help ensure that life-saving technologies make their way to the patients who need them around the region.

Mr. YOUNG. Thank you for that information. The other concern I have relates to high-level intellectual property protection. The establishment of those high-level standards, but also the enforcement, which was—you just spoke a bit to that.

Specifically, I want to know about Canada. There has been some real challenges in how Canada has been dealing with our patents. They have—the manner in which their courts have dealt with them has been inconsistent—at least according to our country's reading—inconsistent with the TRIPS intellectual property agreement to which both Canada and the United States are signatories.

The so-called utility or usefulness standard is something that their courts are supposed to follow. Instead, they seem to be deviating from that, requiring our pharmaceutical companies and others to provide them with evidence that seems more appropriate to regulatory development. And they are also not considering evidence after a patent application has been filed.

Perhaps you could speak to what USTR and others are doing to address Canada's behavior in this area.

Ambassador FROMAN. We have engaged with our Canadian counterparts for some time on this. We have raised it directly with them. It is now the subject of litigation, and I think, as a result, the Canadian authorities are waiting to see what happens as a result of that litigation before determining what, if any, action they feel is appropriate.

Mr. YOUNG. Okay. Is there anything else that we, as Members of Congress—I have roughly 50 seconds left—can be doing to help you get broader support within Congress for Trade Promotion Authority, so that we can ensure that the standards that are struck in this agreement are as high as possible, that they protect our workers, and also open up foreign markets?

Ambassador FROMAN. Well, I think the kind of discussions we are having today, the executive session we had the other day, I think these are immensely helpful, in terms of generating support within Congress to understand what is at stake for the U.S. economy, for U.S. workers and businesses, particularly for small- and medium-sized businesses, what the alternatives are, what happens if we are not there protecting workers and American jobs, if we are not there leveling the playing field in a fair way, if we are not the ones setting the rules of the road, and ceding that to others.

And so, I think this Committee, of course, has a privileged position in this, has always been closer to these trade agreements than any other committee, and my hope would be to be able to work with all of you to help develop a broader understanding of that throughout the Congress.

Mr. YOUNG. Well, we will keep doing our part. Thank you. I yield back.

Mr. REICHERT. Thank you. Ms. Sanchez, you are recognized.

Ms. SANCHEZ. Thank you, Mr. Chairman.

Ambassador Froman, thank you so much for joining us here today. I have several questions. I want to just jump into them. And I apologize if I am repeating what some of my colleagues may have asked.

I want to focus on the substance of the TPP and its possible effects on copyright industry. And a lot of that industry is based in Southern California, in the area that I represent.

Foreign sales from our domestic copyright industry total roughly \$140 billion per year. And I just want to point out that that is twice the size of all of our agricultural exports. So I just want to put it in context, to show the importance of this industry within the United States economy.

We have seen this trend, unfortunately, in recent years, where some countries are trying to ignore international commitments and standards in an attempt to support certain domestic industries and constituencies in their countries. And these kinds of policies ultimately, I think, discourage innovation, investment, and job growth.

The difficulty that we—that I have had in prior trade agreements is the issue of enforcement, because you can have an agreement, but if there is no enforcement of that, or weak enforcement of that, you know, it is not worth the paper that it is written on.

So, if you could, please describe what your agency is doing to enforce existing intellectual property commitments, and what it is doing to try to deter other countries from weakening such standards in their own IP regimes and, you know, whether that is Canada or India. And, in the current round of negotiations, how are you trying to secure IP protections for the United States?

Ambassador FROMAN. Well, thank you, Congresswoman. And we certainly agree that the creative industries, the innovative industries in the United States, which employ 40 million Americans, it is a key part of our economy, and we want to make sure we are both enhancing and strengthening the protection, and also the access to their products, whether it be copyright, or in other areas.

So, in TPP, for example, we are promoting strong copyright rules, strong enforcement mechanisms, whether it is on camcording or the illegal downloading of copyrighted material from satellites or from cable. We are trying to find the right balance, consistent with U.S. law, with regard to ISP liability, and the relation to that to copyright enforcement.

And, of course, all of those obligations, under TPP, will be both higher than TRIPS from the WTO, and fully enforceable, under the TPP dispute settlement mechanism. So it will be a stronger enforcement process than currently exists.

For the parties who are not part of TPP—and you mentioned India—we engage with them directly and, using all the tools at our disposal, whether it is our review of policies on an annual basis, our engagement at high levels, to try to move their policies in the right direction. And, as I mentioned, I think, on China we have made some progress, although we have a long way to go. I think with India we are now engaged in a dialogue, a high-level dialogue, around some of these issues, and we hope to make progress through that, as well.

Ms. SANCHEZ. I just want to emphasize, don't keep your—or keep your eye on the ball there, because it is critically important for U.S. jobs.

I also just want to echo a sentiment of one of my colleagues that we are pleased that the Administration is—has committed to trying to keep Jones Act protections in place for the U.S. shipbuilding industry. It is also an important component for our national security, as well.

And just, with my remaining time, I think I would be remiss if I didn't raise the issue of past trade agreements and the effect on our U.S. manufacturing sector, because manufacturing, although in recent years is on the upswing, you know, it took a hit for many, many years.

Sixty percent of manufacturing workers who lose jobs to trade and find re-employment typically take pay cuts. And 35 percent of those workers lose more than 20 percent of their pay, according to the Department of Labor. For the average manufacturing worker earning over \$47,000, that is at least \$10,000 that they lose per year. And that race to the bottom, I think, has contributed to the suppression of U.S. worker wages at the same time that worker productivity has gone up dramatically.

So, given that the past is a very strong guide here for where we want to be in the future, because we obviously don't want to repeat those mistakes, how can you guarantee that the TPP is going to help working families in this country?

Ambassador FROMAN. Well, we certainly are firmly in agreement that what we need to be doing through these trade agreements is helping to drive more manufacturing and more production and higher wages in the United States.

It is interesting that, if you take our FTA countries, as a whole, we have a trade surplus, including a trade surplus in manufacturing, and that that trade surplus has been growing over time. So I think we have to distinguish between globalization and technology, on one hand, and the impact of trade agreements on the other.

Globalization and technology, as you mentioned, have had an effect on wages and on manufacturing, although we are glad to see almost 800,000 new manufacturing jobs created over the last 4 years in this country. And trade agreements can help further that by making the United States an even more attractive place to build manufacturing plants, so that we can produce things here and send them all over the world. And that is exactly what we are trying to do through TPP.

Mr. REICHERT. The gentlelady's time has expired.

Mr. Meehan, you are recognized.

Mr. MEEHAN. Let me thank the Chairman, and let me thank you, Ambassador, for your being here, and giving us the opportunity to speak with you so extensively.

And I want to follow up on the gentlelady's questioning from California. I have been interested in this issue of the free flow of information in a variety of different contexts. Having previously served as a cyber chair in another committee, I am watching the development of the opportunities, but also the tremendous challenges globally.

So, one of the first things that sort of is by analogy—and I think you have touched it, but I am interested in how this kind of a process will work—was the flow of, you know, information that—in the past we had trading agreements, and in order for people to get their products into foreign markets, you used to have to have a manufacturing facility or otherwise built there, in order for them to open it up.

Now, of course, without borders, we can move information a lot easier. But we are beginning to see the beginning of people saying that, you know, you have to have some kind of a server located in a particular country, or some kind of data processing being done locally.

Are we taking steps to assure that whatever determinations are made are being done fairly, so that we don't have those kinds of—

Ambassador FROMAN. Yes—

Mr. MEEHAN [continuing]. Impediments put into it? And how are you doing that?

Ambassador FROMAN. Well, certainly. I mean a key part of TPP is to address this kind of issue, and in most areas, to insist that it not be necessary to build redundant infrastructure in a country in order to serve that market, and to maintain the free flow of data information cross-border, in order to be able to provide those cross-border services. So, in most areas, that is an area that we are trying to lock in in TPP.

There are legitimate privacy issues and other legitimate regulatory issues that we need to accommodate. But, as a general matter, that is what we are trying to land.

Mr. MEEHAN. How are we dealing with those questions of privacy and other things? Because it is opening the door to some very unique situations in which some people are saying, okay—the ability in how we move information here, there may be higher standards being created someplace in Europe.

One of the concepts when I was in Italy, the concept of an individual's right to their own private identity and, therefore, requirements that you must get approvals for uses of names. It is not the same—maybe it is the right place to go, but it is not the way we are doing it here. So how do you protect against more restrictive covenants that are being—they are saying, "Well, fine. We don't care if your service provider is here, but any service provider that is doing business must accord by these laws."

How do we, in this globally developing area, make sure that American interests are represented so that we can fairly see resolutions of these sort of undefined rules of the road?

Ambassador FROMAN. Well, this is going to be an area that we are going to have to have some serious discussions on, with our—particularly in Europe, where privacy concerns are very high. And we want to make sure what we are doing is recognizing legitimate privacy concerns, while at the same time they are not being used as just an excuse to create national internets or national clouds, and to allow the Internet and technology to develop in such a way as, for example, to have small businesses be able to access markets all over the world.

So, we will be working with our counterparts on that to, on one hand, ensure that legitimate privacy concerns are respected and, on the other hand, to ensure that we are allowing technology to evolve in such a way as to take advantage of the inter-connected—

Mr. MEEHAN. You have a lot on your plate. And I know the many issues that you have to deal with and negotiate, these are complex things. Do you have the resources and the focus to be able to do this, not just on a unilateral basis—I shouldn't say—not on a one-on-one basis, if a particular country is taking an approach differently, but, you know, multiple countries?

You have multiple chapters of the agreement in multiple countries that are affected. Is everybody going to speak with one voice in the resolution?

And really, the final question, how do you enforce something if we have a disagreement with somebody, and we say—you have mentioned that there are some capacities to take this to a higher—you know, a higher resolution. How does that enforcement concept work, and what kind of teeth are there in there for us?

Ambassador FROMAN. Well, let me answer the last question first, which is, you know, one of the strengths of TPP is that there is a strong dispute settlement and enforcement mechanism across the whole agreement, across all of the—across virtually all of the obligations, whether it is labor and environment, or intellectual property, or these commercial commitments around cross-border data flows, and other issues.

And so, that allows the countries to come together, if there is a concern, to consult, to establish an arbitration panel, if necessary, for that arbitration panel to make a judgement about whether there is a violation. And, ultimately, if it is not remedied, for there to be the application of trade sanctions, and trying to do so on a time-defined basis, so that there can be real recourse.

I think, on your previous question, we have a terrific team at USTR. We are a small agency, about 250 employees, but they are incredibly dedicated. They work incredibly hard. They are incredibly professional. And we may be lean, but we have the capacity, I think, to address all these American interests.

Mr. MEEHAN. Well, thank you. We will be working along with you on those. Thank you.

Mr. REICHERT. Mrs. Noem, you are recognized.

Mrs. NOEM. Thank you, Mr. Chairman. And, Ambassador, South Dakota's number-one industry is agriculture. So that is obviously a big priority for us. It supports over 20,000 jobs in the State. And when our ag sector hears about Japan's resistance on TPP negotiations to open it up and to have good discussion on products like pork and beef and dairy, that is alarming for many of them. And we tend to start losing support, then, for TPP, which—I don't blame them, because it is a big issue back home.

But while Japan argues that they are not taking any products off the table, they certainly are refusing to fully liberalize a lot of their individual tariff lines when it comes to those product categories. So that is a concern for me, and not necessarily a question, just something I know we have discussed here today.

But, following up on that, Japan isn't the only country that is causing some concern. We are also looking at Canada and the fact that they are refusing to make any open offer on dairy, poultry, and egg markets. And so, as a close neighbor to my home State, that is also very concerning for people back home, and another thing that we will be watching very closely as the negotiations continue.

But I did want to discuss with you the EU agreement a little bit. I know some of their ag tariffs are high, and have to be reduced. But a lot of my producers back home are even more concerned about the non-science-based regulations that are blocking our country's market access. And so, we need to rely on sound science, when it comes to our trade standards. Would you expand on some of the key barriers that we do face when it comes to that agreement, and what our exporters are dealing with? And how do you plan to address some of those barriers that are currently out there?

Ambassador FROMAN. Sure. First, let me just say, with regard to the Japan agriculture market and those questions that you raised, we are working very closely with our commodity groups—beef, pork, dairy, et cetera—as we negotiate with Japan to ensure not just that all products are covered, but that there is commercially meaningful market access in our priority areas. And we will stay closely in touch with you—

Mrs. NOEM. I appreciate it.

Ambassador FROMAN [continuing]. And then on that.

With the European Union, we completely agree that it is not just an issue of tariffs, it is an issue of standards, and making sure that those standards are science-based, and that they are not using other restrictions such as GIs to keep our products out. And so that is the array of issues that we will be engaging with them on.

We know that they have certain sensitivities in that area, but we are committed to opening their market. Our ag exports have grown very significantly over the last several years, to now a—over \$150 billion. But our ag exports to the EU have been relatively flat during this whole period. And we want to make sure that our made-in-America products could make it into those markets.

Mrs. NOEM. Great. Just a last comment that I would make is that we have been watching the dispute that has been going on at the ports, as well. And we have a lot of products that need to be moved in a timely manner. So, I know resolution is being worked on, but I also wanted to emphasize how important it is to the products that are coming out of our State, as well.

So, thank you for your time today.

Ambassador FROMAN. Thank you.

Chairman RYAN [presiding]. Thank you. Mr. Larson is recognized.

Mr. LARSON. Thank you, Mr. Chairman, and thank you so much for your opening remarks. And our Chairman is always good at analogies. And I don't want to deflate anything he had to say at the outset in noting that everybody on this Committee is a Patriot.

And certainly, Ambassador, you are. And I want to thank you for the enormous amount of time and work and effort and persistence,

echoing the remarks of a number of people, most notably Mr. Kind, who have spoken.

I would also, Mr. Chairman, for the record, like to submit a letter from—a letter signed by Walter Jones, Duncan Hunter, and Mr. LoBiondo; and a letter submitted by Ms. DeLauro, DeFazio, and Mr. Doyle for the record.

Chairman RYAN. Without objection.

[The submission of The Honorable John Larson follows:]

Congress of the United States
Washington, DC 20515

November 12, 2013

President Barack Obama
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear President Obama:

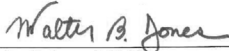
We are strong supporters of American trade expansion. We are also strong supporters of the U.S. Constitution. Article I-8 of the Constitution gives Congress exclusive authority to set the terms of trade. Meanwhile, the executive branch has constitutional authority to negotiate with foreign sovereigns on behalf of our nation. The Founders established this clear check and balance to prevent the president from unilaterally negotiating with foreign nations and imposing trade policies that Congress would deem to be against the national interest.

For two hundred years of our nation's history, Congress led our nation's trade policy. However, recent presidents have seized Congress' constitutional trade authority and also "diplomatically legislated" on numerous other matters under Congress' jurisdiction using a procedure commonly known as "Fast Track", or "Trade Promotion Authority."

Under Fast Track, the executive branch is empowered to sign trade agreements *before* Congress has an opportunity to vote on them, and then unilaterally write legislation making the pacts' terms U.S. federal law. Fast Track allows the president to send these executive branch-authored bills directly to the floor for a vote under rules forbidding all floor amendments and limiting debate. And by requiring the House to vote on the bill within a preset period of time, it takes the floor schedule out of the hands of the House majority and gives it to the president.

Given these factors, we do not agree to cede our constitutional authority to the executive through an approval of a request for "Fast Track Trade Promotion Authority."


Sincerely,

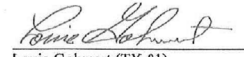


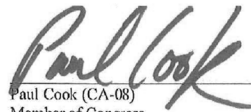
Walter B. Jones (NC-03)
Member of Congress





Michele Bachmann (MN-06)
Member of Congress

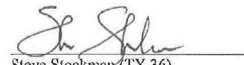

 Dana Rohrabacher (CA-48)
 Member of Congress

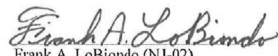

 Louie Gohmert (TX-01)
 Member of Congress



 Paul Cook (CA-08)
 Member of Congress



 David B. McKinley (WV-01)
 Member of Congress



 John J. Duncan, Jr. (TN-02)
 Member of Congress



 Steve Stockman (TX-36)
 Member of Congress

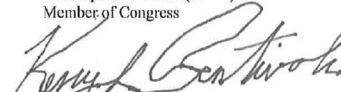

 Frank A. LoBiondo (NJ-02)
 Member of Congress

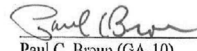

 Rob Bishop (UT-01)
 Member of Congress

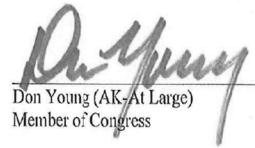

 Chris Collins (NY-27)
 Member of Congress

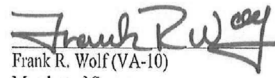

 Christopher H. Smith (NJ-04)
 Member of Congress

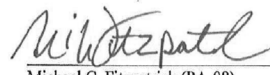

 John L. Mica (FL-07)
 Member of Congress

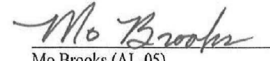

 Kerry L. Bentivolio (MI-11)
 Member of Congress



Paul C. Brown (GA-10)
Member of Congress

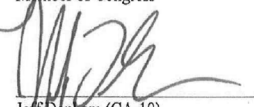

Don Young (AK-At Large)
Member of Congress

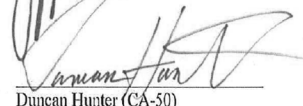

Frank R. Wolf (VA-10)
Member of Congress


Michael G. Fitzpatrick (PA-08)
Member of Congress


Mo Brooks (AL-05)
Member of Congress


Jeff Duncan (SC-03)
Member of Congress


Jeff Denham (CA-10)
Member of Congress


Duncan Hunter (CA-50)
Member of Congress

Congress of the United States
House of Representatives
Washington, DC 20515

November 13, 2013

President Barack Obama
The White House
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear President Obama:

We write to express our serious concern with the ongoing negotiations over the Trans-Pacific Partnership (TPP) Free Trade Agreement (FTA), a potential agreement of tremendous consequence for our country. Specifically, we remain deeply troubled by the continued lack of adequate congressional consultation in many areas of the proposed pact that deeply implicates Congress's constitutional and domestic policy authorities.

For some time, members of Congress have urged your administration to engage in broader and deeper consultations with members of the full range of committees of Congress whose jurisdiction touches on the numerous issues being negotiated. Many have raised concerns relating to reports about the agreement's proposed content. While your Administration's goal was to sign a TPP FTA at the October 2013 Asia-Pacific Economic Cooperation summit, we believe that to date the process has failed to provide adequate consultation with Congress.

Such opportunity for input from Congress is critical as the TPP FTA will include binding obligations that touch upon a wide swath of policy matters under the authority of Congress. Beyond traditional tariff issues, these include policies related to labor, patent and copyright, land use, food, agriculture and product standards, natural resources, the environment, professional licensing, competition, state-owned enterprises and government procurement policies, as well as financial, healthcare, energy, e-commerce, telecommunications and other service sector regulations.

In light of the broad scope of today's trade agreements, it is even more vital that Congress have a fulsome role in shaping these pacts' terms. Given our concerns, we will oppose "Fast Track" Trade Promotion Authority or any other mechanism delegating Congress' constitutional authority over trade policy that continues to exclude us from having a meaningful role in the formative stages of trade agreements and throughout negotiating and approval processes.


Congress, not the Executive Branch, must determine when an agreement meets the objectives Congress sets in the exercise of its Article I-8 exclusive constitutional authority to set the terms of trade. For instance, an agreement that does not specifically meet congressional negotiating objectives must not receive preferential consideration in Congress. A new trade agreement negotiation and approval process that restores a robust role for Congress is essential to

achieving U.S. trade agreements that can secure prosperity for the greatest number of Americans, while preserving the vital tenets of American democracy in the era of globalization.

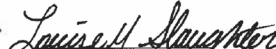
Twentieth Century "Fast Track" is simply not appropriate for 21st Century agreements and must be replaced. The United States cannot afford another trade agreement that replicates the mistakes of the past. We can and must do better.

We are deeply committed to transforming U.S. trade policy into a tool for creating and retaining family-wage jobs in America, safeguarding the environment, maintaining consumer protection and improving the quality of life throughout the country. We look forward to working with you to ensure that Congress and the Executive Branch are working together to meet that critical goal.

Sincerely,

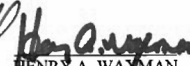

ROSA L. DeLAURO
Member of Congress

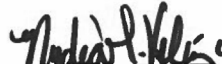

GEORGE MILLER
Member of Congress



LOUISE M. SLAUGHTER
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PETER A. DeFAZIO
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NICK J. RAHALL, II
Member of Congress



HENRY A. WAXMAN
Member of Congress

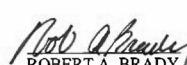

NIDIA M. VELAZQUEZ
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JOHN CONYERS, JR.
Member of Congress



BENNIE G. THOMPSON
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C.A. DUTCH RUPPERSBERGER
Member of Congress


MAXINE WATERS
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ROBERT A. BRADY
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EDDIE BERNICE JOHNSON
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ELIJAH E. CUMMINGS
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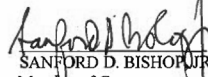

MARCY KAPTUR
Member of Congress

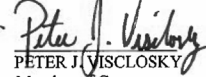

SAM FARR
Member of Congress

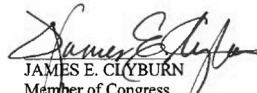

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CHAKA FATTAH
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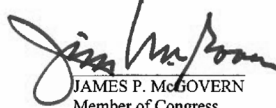

STEVE ISRAEL
Member of Congress

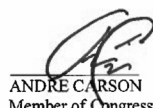

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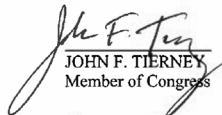

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Member of Congress

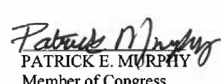

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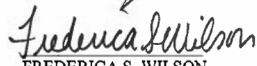

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NIKI TSONGAS
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JOHN F. TIERNEY
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PATRICK E. MURPHY
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JOE LOFGREN
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GARY C. PETERS
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LLOYD DOGGETT
Member of Congress



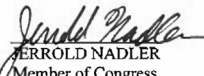
CHELLIE PINGREE
Member of Congress



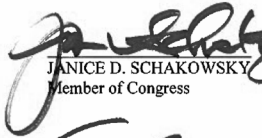
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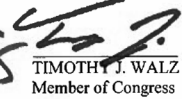
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Member of Congress



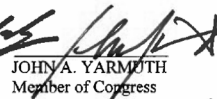
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TIMOTHY J. WALZ
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JOHN A. YARMUTH
Member of Congress



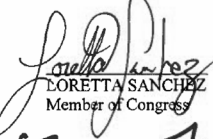
TIMOTHY H. BISHOP
Member of Congress



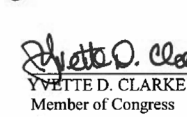
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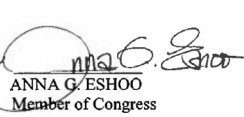
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LORETTA SANCHEZ
Member of Congress



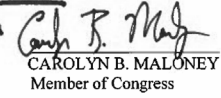
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Member of Congress



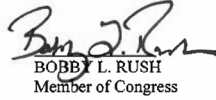
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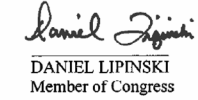
CAROLYN B. MALONEY
Member of Congress



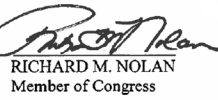
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Member of Congress



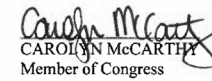
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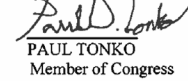
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Member of Congress



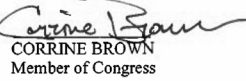
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Member of Congress



PAUL TONKO
Member of Congress



CORRINE BROWN
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BRIAN HIGGINS
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JOHN D. DINGELL
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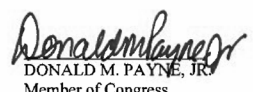

BRAD SHERMAN
Member of Congress

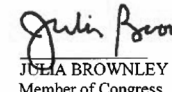

GENE GREEN
Member of Congress

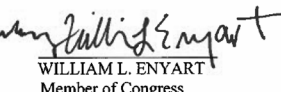

CAROL SHEA-PORTER
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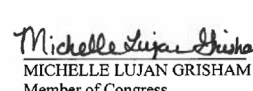

LOIS CAPPS
Member of Congress

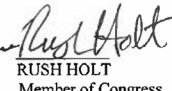

JARED HUFFMAN
Member of Congress



DONALD M. PAYNE, JR.
Member of Congress


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Member of Congress


WILLIAM L. ENYART
Member of Congress


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DAVID LOEBSACK
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MARK POCAN
Member of Congress



TERRI A. SEWELL
Member of Congress



AL GREEN
Member of Congress



GRACE MENG
Member of Congress

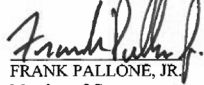

JOYCE BEATTY
Member of Congress


ADAM B. SCHIFF
Member of Congress

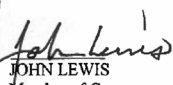

 SEAN PATRICK MALONEY
 Member of Congress



 JUDY CHU
 Member of Congress



 STEPHEN F. LYNCH
 Member of Congress


 FRANK PALLONE, JR.
 Member of Congress



 KEITH ELLISON
 Member of Congress

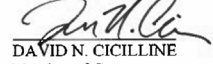

 JOHN LEWIS
 Member of Congress



 BEN RAY LUJAN
 Member of Congress

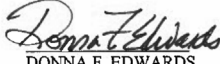

 EMANUEL CLEAVER
 Member of Congress


 JOHN GARAMENDI
 Member of Congress

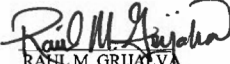

 LUIS V. GUTIERREZ
 Member of Congress

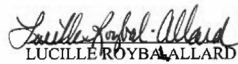

 DAVID N. CICILLINE
 Member of Congress

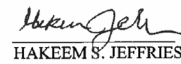

 MICHAEL F. DOYLE
 Member of Congress



 DONNA F. EDWARDS
 Member of Congress


 DAVID SCOTT
 Member of Congress


 RAUL M. GRIJALVA
 Member of Congress



 LUCILLE ROYBAL-ALLARD
 Member of Congress

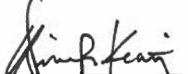

 HAKEEM S. JEFFRIES
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 MARCIA L. FUDGE
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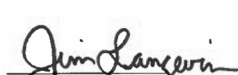

 MATTHEW A. CARTWRIGHT
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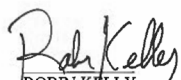

 JACKIE SPEIER
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 LOIS FRANKEL
 Member of Congress


 WILLIAM R. KEATING
 Member of Congress

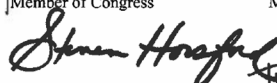

 ERIC SWALWELL
 Member of Congress


 JAMES R. LANGEVIN
 Member of Congress


ROBIN KELLY
Member of Congress

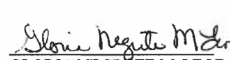

JOSEPH P. KENNEDY
Member of Congress


STEVE COHEN
Member of Congress



STEVEN A. HORSFORD
Member of Congress

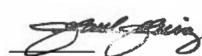

TULSI GABBARD
Member of Congress


RON BARBER
Member of Congress

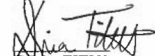

GLORIA NEGRETE McLEOD
Member of Congress



JOE COURTNEY
Member of Congress


JOHN P. SARBANES
Member of Congress


RAÚL RUIZ
Member of Congress



JERRY MCNERNEY
Member of Congress

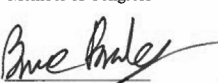

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Member of Congress



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Member of Congress


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Member of Congress


ANN KIRKPATRICK
Member of Congress



SHEILA JACKSON LEE
Member of Congress


BRUCE L. BRALEY
Member of Congress


KAREN BASS
Member of Congress



JUAN VARGAS
Member of Congress



JANICE HAHN
Member of Congress

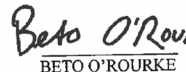

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Member of Congress



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Member of Congress



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Member of Congress



FILEMON VELA
Member of Congress


BETO O'ROURKE
Member of Congress



MIKE MCINTYRE
Member of Congress


ROBERT C. "BOBBY" SCOTT
Member of Congress

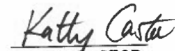

G.K. BUTTERFIELD
Member of Congress


THEODORE E. DEUTCH
Member of Congress


KYRENE SINEMA
Member of Congress


HENRY C. "HANK" JOHNSON
Member of Congress

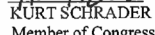

WILLIAM L. OWENS
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KATHY CASTOR
Member of Congress


COLLIN C. PETERSON
Member of Congress


RUBEN HINOJOSA
Member of Congress


ALLYSON Y. SCHWARTZ
Member of Congress


KURT SCHRADER
Member of Congress


COLLEEN W. HANABUSA
Member of Congress


SCOTT H. PETERS
Member of Congress

Mr. LARSON. Thank you, Mr. Chairman.

In so many respects, this is like the Superbowl of trade. And I think the one thing that everybody wants to recognize—and it has been repeated on this Committee—is that we want to make sure that there is full and open transparency. People want to be participants.

In other words, we don't want to find ourselves in the situation of the Packers being on the sidelines this weekend, and watching the Patriots participate. All of us being Patriots, some of us may be more Seahawkish about trade than others. But, nonetheless, this is the—this is where we come.

And, Ambassador, you did a couple of things, and I think that cuts to the chase with respect to transparency and the concern that has developed. And, oftentimes for people just trying to sort through TPP versus Fast Track, and you know—so it is—those things can become complicated to the average American citizen, let alone Members of Congress. And I believe it was Mr. Kind who pointed out what are the consequences of not taking action.

And so, my questions would be, first, would you commit to continued transparency? And, as is outlined in these letters by a number of Members who, as you heard here from a number of our colleagues, are skeptical about the transparent effort and the ability for America to come out of this on—advantaged. And then, who the losers will be, but especially, as you outlined previously, what are the consequences of no agreement?

Ambassador FROMAN. Well, we are certainly committed to continuing and improving on transparency, in the broadest sense of it, in terms of—for example, again, I hearken back to the meetings that Mr. Levin organized with the Ways and Means Democrats, and other Democrats from the Caucus, including some of the people you mentioned, about various issues in the negotiation, and having deep dives on those issues, so that we can answer questions and concerns, because we—

Mr. LARSON. But, truly, Mr. Doggett's questions that he posed, in terms of being able to go into the room, being able to take people who have clearance from the staff—I mean these were bipartisanly expressed today. I think those will go a long way toward ending the skepticism and doubt that exists, and will help to get everybody pulling together for a patriotic outcome.

Ambassador FROMAN. Well, we will look forward to, I think, working with the Chairman, the Ranking Member on this Committee, and also on the Finance side, to take up those ideas, and determine how best to move forward.

Mr. LARSON. Thank you.

Chairman RYAN. Thank you. The gentleman has a minute left, so I will just indulge. The Packers are an export-related team. It refers to meat packers putting beef products on ships in Lake Michigan out to the St. Lawrence Seaway and on to exporting. Two of the team owners are right up here on the dais, and we thank the gentleman for acknowledging and—

Mr. LARSON. I always want to acknowledge the Chairman, and I know—

Chairman RYAN [continuing]. Very good export-related—

Mr. LARSON. I believe it was Walter Mondale who said, "Where is the beef? And where is the cheese on top of it?" You know, we want to make sure that we are——

Chairman RYAN. Always—cheese comes always with beef in Wisconsin. Thank you.

Mr. Holding.

Mr. HOLDING. Thank you, Mr. Chairman. Mr. Ambassador, just so you hear from—all the way from the West Coast to the East Coast about the West Coast port situation, even us in North Carolina are impacted by this. Our pork products to Asia are being delayed, and we have even developed specialty pork products for Asia for that market. And so it is impacting us. I know you have already said the Administration will work diligently to resolve this, and I encourage you to do so.

To hearken back to the question that you had about biologics, we all know the United States is the world leader in biologics, you know, and has made great advances in medicine. And you know, the business model that has worked to propel and make this research cost viable is to have 12 years of data protection. And that is the law of the land here. And I appreciate that, you know, that is the position that you are advocating in the trade negotiations. Correct?

The President has suggested 7 years. So, with the President's suggestion of 7 years out there, do you think that undermines your bargaining position in the trade negotiations?

Ambassador FROMAN. I think our trading partners have a wide range of views on this, as reflected by the fact that five of them have zero years, four of them have 5 years, two of them have 8 years. And we are the one that has 12 years. And so I think the key is having this dialogue with them about the importance of both promoting innovation, making this region a center for innovation, creating an innovation ecosystem, while at the same time addressing the issues of access to affordable medicines, particularly in developing countries.

And so, those are the ways we are going about this, and we are having a dialogue with these countries. But this is, clearly, one of the most difficult outstanding issues.

Mr. HOLDING. So, the President's suggestion of 7 years does or does not undermine your bargaining position?

Ambassador FROMAN. I think they understand that our—the law of the land is 12 years. We have made the case of why there needs to be an extended period of data protection, and how to ensure that there is affordable access to medicines, as well.

Mr. HOLDING. So it does or does not undermine your bargaining position?

Ambassador FROMAN. I don't think it undermines our bargaining position.

Mr. HOLDING. If you were to accept something as low as 5 years, what do you think would be the impact of accepting 5 years of data protection on our biologics industry here, in the United States?

Ambassador FROMAN. That is something I would have to look to the industry for feedback on, but we have been certainly advocating how extended periods of data protection can help promote

innovation, not just in our country, but around the world, and then make sure that drugs are introduced to markets earlier. And so that is the argument that we are taking to our trading partners.

Mr. HOLDING. But one would suspect 5 years of data protection would not be beneficial to our biologics industry here, in the United States.

Ambassador FROMAN. I think what drives the development, as I understand it, of our biologics in the United States is the period of protection that we provide here in this country.

Mr. HOLDING. Thank you. Just to switch gears, India was mentioned earlier and, you know, I understand it is not part of the pending trade agreements. But with the President's recent trip to India—I guess he arrived back today—is there anything that you would like to relay regarding trade and the promotion of trade relations, business relations, with India?

I note that it has grown from \$14 billion in 2000 to \$93 billion in 2012, and they are our 11th largest trading partner now. So did anything from the visit transpire that portends some better trade relations and promotion of business between the two countries?

Ambassador FROMAN. Well, as the President noted while he was there, we think there is great potential to further develop, to go from that \$100 billion that currently exists, to something much higher. And there is a lot of excitement and interest in the kind of policies that the new government has expressed, and India has expressed interest in.

And I think the key now is to, through our dialogue with them, explore how those policies are going to be put in place, and whether they are going to address the business environment in such a way as to increase trade and investment.

I had a good—there was a trade policy forum meeting in November of last year, the first one we have had in 4 years, where we laid out an important series of work plans, on intellectual property, on manufacturing, on services. And I am following up with the government, including during my recent visit there with the President, to determine how best to take those issues forward.

Mr. HOLDING. Good. I have a few questions regarding IPR and TTIP in the EU, which I will submit for the record. But thank you for your time.

Ambassador FROMAN. Thank you.

Mr. HOLDING. I yield back.

Chairman RYAN. Thank you. Mr. Rangel is recognized.

Mr. RANGEL. Thank you, Mr. Chairman, and thank you, Ambassador, for your patience with this Committee. You certainly have spent a lot of hours with us, and you have been very patient with us, and I want, really, to be able to help to find out whether or not, at the end of the day, we can end up with—on the same page.

I think you will agree that the greatest opposition to this trade bill and any trade bill in our great country is the general feeling that jobs will be lost. If you don't think that is the major problem, then I would like to remove myself from this line of questioning, because everywhere I go there are committees organizing. They say they don't know what is in the bill, but they are against it. They don't want to give the President the authority to negotiate a bill.

And I don't think we have done an effective job in explaining how we made out with NAFTA or Korea.

So, if you disagree with me, just for the sake of those people who really believe that trade is going to be a job loser, there is no question in my mind that your position is that this is an economic growth job builder, and the future of America is going to be dependent on our ability to effectively compete and make America stronger. And that necessarily means that jobs will be created, even though it is difficult to determine which industries will be the winners and losers. But you are convinced—and you represent our country—that America is going to come out ahead.

If that is so, then I would like to say we should be prepared to assume the responsibility to meet this great economic opportunity with these jobs. It would be disgraceful if you have done your job, and hundreds of millions of jobs would be available, and then we find out that we forgot to ask somebody what skills will be necessary for our workforce.

Also, how would we transport this new opportunity in this great Nation, with its bridges and its roads crumbling? Will we be prepared for this great economic opportunity?

And, since in every agreement there are winners and losers, do we have the structure there to support those great Americans who, through no fault of their own, would lose their jobs as they open up the doors for progress for the rest of the country and the world?

That is my way of asking you, "Where the hell are the jobs?" And, until I can go into town hall meetings or speak to reporters and they ask, "What is in it for me," I can't say, "Cheese," I can't talk about what is going to happen with the pharmaceutical corporations. My community, and communities like that throughout this country, have to find something to blame their loss of income and jobs on. And it looks like trade is the best thing to kick, because it can't fight back. Those who have lost their jobs complain. Those that have gained opportunities believe that they got it on their own.

So, I need someone from your shop that deals with preparing America for these great opportunities that are going to exist, and I don't want to take your time, because I now understand why they give the title to our trade negotiators as being a diplomat. Because you are that. But if there is someone without your diplomatic skills that can share with me where the hell the jobs are going to come from, and which ones we are going to lose, I would like to get out there with the flag and the plan, and say that, of course, some people are going to feel pain. But most people are going to prosper. We have a middle class out there that we are losing. You talk about spoiled businesses. If they are not working, they can't buy.

So who is it, besides you, that has this work plan all there, so that I can work on that part of it? Who would you recommend?

Ambassador FROMAN. Well—

Mr. RANGEL. Mr. Excellency?

Ambassador FROMAN. Congressman, we will find some undiplomatic people on my staff to work with yours. And I think Secretary Perez and I would be happy to work with you on that, because I know it is an issue that you have raised before about making sure

that our people are prepared to take the jobs that are going to be created by this.

Let me just say, while I don't have details down to the level of the district, for a State like New York, which has more than 300,000 people whose jobs are tied just to the export of goods, not including services, 41,000 companies export from the State of New York, 94 percent of whom are small- and medium-sized businesses.

And when we look at the opportunities for New York State to take chemicals, New York exports about \$5 billion in chemicals, but there is 35 percent tariffs in some of the TPP countries that will go to 0. New York exports \$27 billion of consumer goods. There are 85 percent tariffs in some of the TPP countries that will go to 0. Machinery—I could go sector by sector.

And while it is hard to say exactly how many jobs each of those moves on the tariff lines are going to create, we know that New York is one of the great beneficiaries of international trade, and will continue to be so, because we have competitive workers in New York. We have competitive industries, whether it is in manufacturing, services, or agriculture. And in each of these areas we are opening markets.

Let me say one final thing, Mr. Chairman, if I can. There are—we obviously do have sensitive sectors in our country. Mr. Levin talked about autos. We could talk about textiles. We could talk about footwear. These are areas where we have higher tariffs than in some other areas. And what we have done is worked very closely with the textile industry, with the footwear industry, and, obviously, with the auto industry to make sure that whatever we do in this area is taking into account the sensitivities that they face. So we are trying to deal with the issue of how to deal with our sensitivities.

Ultimately, one of the things that we have made clear is that we think TAA, Trade Adjustment Assistance, ought to be reauthorized as part of this process, because it is important that we give our people and our workers the skills that they need to compete in this global economy.

Mr. RANGEL. Thank you, Mr. Chairman.

Chairman RYAN. Thank you.

Mr. Smith.

Mr. SMITH OF MISSOURI. Thank you, Mr. Chairman.

Ambassador, in October of last year, the Government of Turkey self-initiated an anti-dumping case against the U.S. cotton exports. Turkey has been the number-two exporter for U.S. cotton, export market for U.S. cotton for the last recent years. Some of my colleagues and myself have written you and the Commerce Secretary of our concerns about this case. What is the U.S. Government doing, up until this point right now, in this investigation?

Ambassador FROMAN. We have engaged with the Government of Turkey to express our concern about this. Of course, every government, every country, does have the right to bring trade remedy actions, provided they do so consistent with the WTO. And our industries avail themselves of our anti-dumping and countervailing duty laws, as well.

What our role is at USTR is if a country is bringing an action under their trade remedy laws in a way that violates the WTO

commitments, as China has done in a series of cases, we are able to bring a case to the WTO and have those cases undone. And so we are monitoring this case closely to see how it is proceeding. We are making clear to the Government of Turkey our concerns about it. And we stand ready to take action if we believe that, at the end of the day, they have applied their trade remedy laws in an inappropriate fashion.

Mr. SMITH OF MISSOURI. Thank you. I have great concern, just about statements that I have read from media clips that members of the government in Turkey have said the reasons why they brought action. So that is why I bring this case up.

On a total—on the other side of this coin, I am also deeply concerned that the United States companies legitimately who use the anti-dumping and countervailing duty orders to protect themselves from trade violations, these orders are not always effectively enforced. I have a couple of questions.

First, what improvements could be made to our trade agreements to improve enforcement of the anti-dumping and countervailing duty orders at the border?

Ambassador FROMAN. One thing we have been doing in TPP is to have a chapter and a series of obligations around customs cooperation and enforcement. And we work very closely with the Department of Homeland Security and Custom and Border Protection on their role of enforcing trade laws and trade measures, as well. So TPP will give us a further opportunity to strengthen that kind of cooperation with other Customs organizations, so there isn't circumvention by countries of any dumping and countervailing duty orders.

Mr. SMITH OF MISSOURI. Okay. Also, Ambassador, in 2012 the World Organization for Animal Health awarded U.S. beef with the highest safety designation possible. Despite this high safety rating, countries like Japan, China, Korea, Taiwan, and Vietnam continue to have age-based restrictions on U.S. beef products. With U.S. beef having the highest safety designation possible, these restrictions are beginning to look like non-tariff trade barriers. What is USTR doing to open the remaining markets that currently have age-based restrictions on U.S. beef?

Ambassador FROMAN. We are working very closely with the Department of Agriculture, as well as with our stakeholders in the beef sector, to further open markets consistent with that OIE finding. And we are pleased that we have been able to open up Japan, Korea, Hong Kong, Mexico, a number of other countries, to some of our beef exports. And we are continuing to press ahead with that.

One of our areas of concern remains China, which had promised to take the steps forward on opening their beef market last year, and have yet to do so. And we were just in—as I mentioned, in Chicago with the JCCT, including with Secretary Vilsack and Secretary Pritzker, in our efforts to press them to move forward with opening their beef market.

Mr. SMITH OF MISSOURI. Ambassador, I represent probably one of the most diversified agriculture districts outside of the State of California. We grow everything in our district but citrus and sugar. We grow a lot of rice.

And so, it is my understanding that, before the 1962 embargo with Cuba, Cuba was the number-one importer of U.S. rice. Cuba is currently the second-largest importer of rice in the Americas. What do you think the benefits of normalizing relations with Cuba would have in the U.S. agriculture community in crops like rice?

Ambassador FROMAN. Well, I know that our agricultural community is excited by the potential opportunities that normalization provides. I don't have a lot of direct information about the rice market, *per se*, but we are happy to get back to you on that.

Mr. SMITH OF MISSOURI. I would appreciate it. Thank you, Mr. Chairman.

Chairman RYAN. Mr. Davis.

Mr. DAVIS. Thank you, Mr. Chairman. And thank you, Ambassador, not only for your skilled diplomacy, but also for your patience.

We appreciate your efforts to craft new trade agreements, such as the Trans-Pacific Partnership agreement, in such a way that benefits U.S. jobs. Of course, I come from a job-producing area. I represent a part of Chicago in the western suburbs of that city which, over the years, we have proudly claimed as the Candy and Confectionary Capital of the United States.

To maintain our competitiveness with world markets, we need to ensure that we have an adequate supply of sugar at reasonable prices. Unfortunately, we have a sugar program that unduly limits the availability of sugar, which causes Chicago-based companies to pay as much as 50 percent more for sugar than their overseas competitors, who have access to world markets.

To help improve our prospects for keeping confectionary and baking jobs in Chicago and other places, the TPP could provide new market access for TPP countries that have sugar for export, whether it is raw sugar from Australia, or refined sugar from Canada. With the TPP negotiations nearing conclusion, my question is, do we have commitment to provide commercially meaningful access to TPP countries that have sugar available for shipment to the United States?

Ambassador FROMAN. Well, Congressman, you know this is an area of—that has traditionally been very sensitive in our trade negotiations. And we have committed that whatever additional access there might be to the U.S. market, to the U.S. sugar market, won't undermine the U.S. sugar program. But we are working with our stakeholders and with our trading partners to try to find a solution here that addresses—that finds the right—pardon my pun—sweet spot in that regard.

Mr. DAVIS. I certainly appreciate that position. But I am also concerned about the Department of Commerce agreements that were signed back in December of last year, which placed new limits on sugar imports from Mexico, and significantly raised prices for American consumers and food manufacturers.

Although I know that you, as the U.S. Trade Representative, were not a party to this new managed trade deal with Mexico, can we expect that any future trade agreements, whether with Mexico or other sugar exporting countries, will allow them to have fair access to the U.S. market, so that we have as competitively priced sugar that our manufacturers can have access to, so that people in

the food and sugar industry can, in fact, continue to work and produce jobs?

Ambassador FROMAN. Well, as I said, we are working to strike the right balance between allowing further trade and protecting the U.S. sugar program, which is the law of the land. And so, we are continuing to work on this issue. It is one of the outstanding issues in our agricultural negotiations with our trading partners, and we will continue to work on that.

Mr. DAVIS. Thank you very much. And there are always concerns about enforcement of labor and environmental standards in any of these negotiations. Could you just comment on how those negotiations seem to be going?

Ambassador FROMAN. Absolutely. Well, we are not done yet. We have made very good progress in those negotiations, I think we are heading in the right direction. And that is both in terms of setting strong obligations in the labor and environmental area, and making sure, consistent with the May 10th agreement, that they are fully enforceable, they are in the core of the agreement, and they are fully enforceable, with the same type of dispute settlement process, the same timeframe as any other provision in the trade agreement, including, ultimately, the availability of trade sanctions, if the problem is not remedied.

And so, this, I think, will take that issue much further, in terms of applying to 40 percent of the global economy, and solidifying the notion that labor and environmental issues—again, consistent with the May 10th agreement—should be treated as seriously as other commitments in the trade agreement.

Mr. DAVIS. Thank you very much, and I yield back. Thank you, Mr. Chairman.

Chairman RYAN. Thank you.

Mr. Kelly.

Mr. KELLY. Thank you, Chairman.

Ambassador, thank you for enduring. You know, we have talked about a lot of different things today. Mr. Tiberi talked about electrical steel in Zanesville. I also have the same company that I represent in Butler, Pennsylvania. It was Armco Steel, it is now AK Steel. I believe we build or make the finest electrical steel in the world. We are concerned about that.

Then we also talked about the free flow of information, data flow, and how countries could game us and keep us out of that, out of being able to compete, or overreach in their ability, and eliminate the competitive edge. So I sent a letter to you, along with Mr. Kind, back in October. And I would like, Mr. Chairman, to submit it into the testimony today, if there is no objection, that addressed the situation.

But I really want to get down to what we are talking about here, and maybe you can help, because everybody has talked about things that concern them and their district. The reality of this is what leverage do we have. I mean, we go into these negotiations in good faith, I really—I agree with that. We—I think we have this kind of a naive belief that somehow people are going to negotiate with us in good faith, and that, somehow, because we have these trade agreements, they are not going to take advantage.

Now, Mr. Meehan talked a little bit. So what are the teeth? I mean how do you enforce this? So you find somebody who is not acting in the right way. What do you do? What is the enforcement? How—are there any teeth there that really could force them back into a situation that they agreed to?

Ambassador FROMAN. Well, yes. And the way these trade agreements work, and the way that TPP works, is that there will be a strong dispute settlement mechanism across—virtually across the board of the agreement, so that if you believe a country is violating its obligations, you can trigger consultations, you can trigger the formation of an arbitration panel who—that then makes the determination, in a limited period of time, of whether that country is in violation or not. Then it assesses damages, and the country either comes into compliance or you can impose trade sanctions, commensurate with those damages, against the other country. And that is—it is the existence of that dispute mechanism and the various stages along the way that hold other countries' feet to the fire.

Mr. KELLY. If you can, though, give me a little bit of an idea. Time is always of the essence with these. So people run out the clock on us, and an opportunity gets lost. If we are truly going to have an economic recovery, and if we believe that 95 percent of the market is outside our country, I look at this—so I keep wondering. You know, so, if we—because my whole life I have been in the negotiating business, but I had to have a product that somebody wanted to own and I wanted to sell.

But we are, right now, engaged in a situation where, geopolitically, the relationships that we build are—really, would be the determining factor of how we get countries to behave the right way, whether it is through sanctions, which we have used to certain effect. But how do you build that?

And, again, I keep going back to this. I know we have these things in place. But, really, how do you enforce them? How do you get people to do that because of the time element? They can run out the clock on this. By the time you get done going through all those mechanisms, you have lost the sale.

Ambassador FROMAN. One thing we have worked to do in TPP is to ensure that the dispute settlement process is time-bound, that it is faster than, you know, other dispute settlement procedures at the WTO or otherwise. And, in some cases—for example, with the Japan auto as part of our agreement—that there is a specific accelerated dispute settlement mechanism with real teeth to enforce the obligations that we secure there.

And so, we are fully committed to doing that. And it is that, the existence of that dispute settlement, that tends to get countries to abide by their commitments.

But it is—to broaden out, it is our engagement through this process—these countries want to be in partnership with us. They want to be economic partners, they want to be strategic partners with us. And TPP gives us that opportunity to work with them across a wide range of—

Mr. KELLY. Listen. I believe, philosophically, that what you are saying is correct. The reality of this whole situation is if we can't get you some kind of leverage, all the good faith in the world, and

all the great talk in the world, and all the open-heartedness in the world is fine, if it—if we just talk about it.

I have just watched what is going on in the world today, and our world is becoming more and more unstable. If we are really going to be the defenders of freedom and liberty around the world, we better be the strongest economic machine that is out there, or people aren't going to pay attention to us. My great fear is that, while we sit and wonder about what we can do to help you get there, the rest of the world is—they are going to progress, they are going to move on. We are going to miss our chance.

And I really—I am greatly concerned about that. I have watched us lose too much market share because of what we go through. The debate becomes too heavy. The results get dragged out too long. We lose an opportunity to gain market share and then sit back and wonder what it is we are doing wrong.

Some of the things we are talking about, if we can't get the American people to understand that these agreements provide features and benefits that add value to our people, to our economy, we can't possibly get the sale made. And that is where I am concerned right now. We talked about all these things that affect us, whether it be cheese or cars or steel or any intellectual properties.

But the bottom line is, we have to have something people want to buy, and we have to be able to be in a position that they are the ones—we are the ones they want to buy it from. We can't enforce—we can't get people to think the way we think if we are not attached, economically or geopolitically. It just doesn't work any other way. There is no other reason to want to be with us. And that is the thing that I worry about, because what is going on with TPP, what is going on in Europe, we are going to lose those markets and sit back and wonder why we lost them—

Ambassador FROMAN. I agree.

Mr. KELLY [continuing]. It was because of our inability to react quickly.

Chairman RYAN. Thank you.

Ambassador FROMAN. Thank you.

Chairman RYAN. Last, but certainly not least, Mrs. Black from Tennessee.

Mrs. BLACK. Thank you, Mr. Chairman. Thank you to all of the Members that have stayed around. And especially you, Ambassador, thank you for being here today and being so patient to answer everyone's questions. I really appreciate that. I also want to thank you for your response to my letter that—regarding the inclusion of the children's electronic education devices on the list of the—on negotiation for the expansion of the information technology agreement.

And, for those who really—who don't realize this, there are books and toys that are duty free. But because these computer devices don't fit in one of those categories, even though they are educational, they are not duty free. So I plan to reintroduce my ETEACH Act in the coming weeks, and I look forward to our continuing dialogue.

I know that many of my colleagues have talked about how this would benefit us here in this country. And so, the significant benefits here are not only to the manufacturers, but also to the con-

sumers, especially our young children. By one estimate, updating the ITA would boost global GDP by \$190 billion, and would increase our U.S. exports by \$3 billion, creating over 60,000 American jobs. So, for many purposes, this is, I hope, something that can get done.

I know we have bipartisan support from Members of our Trade Committee here. I think about two-thirds of them have signed on. And I look forward to the continuing conversation, and hope that you will be able to make this happen. I wondered if you might give me some encouragement of where this might be at this point in time.

Ambassador FROMAN. Well, we had this breakthrough with China back in November, which allowed the ITA negotiations to get restarted in Geneva. We have further work to do to try to bridge differences between countries. We are encouraging the countries, particularly Korea and China, to resolve their differences. We are encouraging China to be more flexible in accommodating what needs to be done in order to resolve these issues. And we are hopeful that we will continue to make progress toward an agreement, as you say, that can have such a significant impact on U.S. jobs, on U.S. exports, as well as on the global economy.

Mrs. BLACK. So, it is my understanding that China really is the barrier that is there right now?

Ambassador FROMAN. At this stage, there are differences of views between Korea and China, and we are trying to find ways to bridge those differences, and are encouraging China to be flexible in its approach in order to resolve the outstanding issues.

Mrs. BLACK. Thank you. And I appreciate everyone staying around for my question, and I will yield back.

Ambassador FROMAN. Thank you.

Chairman RYAN. Thank you.

Well, Ambassador, you started here, what, at 2:00, I think? And then you did the Senate Finance Committee this morning, right?

Ambassador FROMAN. Indeed.

Chairman RYAN. So you definitely earned your pay today. Thank you very much for indulging our Committee Members. I think this was an excellent hearing. I think a lot of the Members got the points they wanted to get across, and the questions they wanted to ask answered. I appreciate your indulgence on this, and we will see you very soon, because we have a lot of work to do.

So I appreciate your time, I appreciate your expertise, and this Committee stands adjourned.

Ambassador FROMAN. Thank you.

[Whereupon, at 5:30 p.m., the Committee was adjourned.]

[Questions for the Record follow:]

House Ways and Means Committee – Questions for the Record

Questions from Rep. Nunes

1)

Q: Potential TPP and TTIP agreements would be a real boon for the U.S. economy, yet no trade agreement will help our exporters if we can't transport product to our global customers due to backlogs at U.S. ports. The problems resulting from work slowdowns at the major West Coast ports became an economic catastrophe, with costs to various industries soaring and backlogs that will likely take months to clear. Several exporters and importers from my district have been affected by the backlogs. It was reported on February 20th that the parties have come to an agreement to end the labor strife. Can you explain why the Administration allowed this dispute to reach crisis proportions and cost the American economy billions of dollars before it actively engaged with the parties to facilitate an agreement?

A: Facilitating the resolution of this dispute was a priority for the Administration because successful resolution of the negotiations was critical to both the ports – the employers, workers, and communities – and U.S. exporters, who depend on the smooth functioning of the ports to reach important export markets. Senior Administration officials were in touch with both parties from the very beginning of the negotiations and over the ensuing months. Following the joint request for the assistance of the Federal Mediation and Conciliation Service in January by the International Longshore and Warehouse Union and the Pacific Maritime Association, President Obama directed Secretary of Labor Tom Perez to travel to California, where he successfully worked with the parties to resolve their differences.

2)

Q: New Zealand produces around one-third of the global dairy trade each year and wants access to the U.S. market because of our lower prices. However, if we give the New Zealand dairy industry access to the U.S. market without opening other markets – like Japan and Canada – to our domestic dairies, American dairy producers could be devastated. Can you tell us your plan to make sure American dairy producers are not shut out from exporting to Japan and Canada?

A: We are working to provide new and expanding opportunities for U.S. dairy products in all of the TPP markets. This will be achieved through tariff elimination, deep tariff reductions, and new preferential tariff rate quotas. Gaining new and meaningful dairy market access in Canada and Japan are top priorities of the TPP agricultural market access negotiations. In addition, we expect to gain valuable new market access through the elimination of tariffs for U.S. dairy products exported to Vietnam and Malaysia. We are mindful of the sensitive nature of dairy imports in the United States, and are taking these sensitivities into account as part of the TPP negotiating process.

3)

Q: I know that India's localization requirement for boric acid is not a new issue to you. USTR's National Trade Estimate Report on Foreign Trade Barriers has listed India's localization requirement for boric acid exported from the United States every year since

2006. However, India continues to stall any satisfactory resolution on the matter. What can you do to ensure that India takes action to resolve this matter, since no action has been taken to this point despite repeated calls from Congress?

A: The United States continues to raise concerns with India, both bilaterally and at the WTO, on India's import licensing requirements for boric acid, particularly with respect to the burdensome end use certificates necessary to obtain the license for importation. In November 2014, we discussed this issue with India's Minister of Commerce and Industry during the United States-India Trade Policy Forum, where India provided additional information on application of the requirement, including a website that lists the government entities who may issue the necessary end use certificate. We remain very concerned that the opaque process and certificate requirement impede our exports to India, and we will continue our discussions with India to work to resolve this issue.

4)

Q: The European Union continues to pursue the creation of monopolies in markets around the globe, including right here in the United States, by excluding other countries from using common, generic food names like "parmesan", "bologna", "champagne", and "feta." Last year the House of Representatives sent a letter signed by 177 Members of Congress to you and USDA Secretary Vilsack expressing our concern for the continued use of cheese names. I wanted to thank you for your work on this issue and ask if you can provide an update on any recent developments.

A: The United States and the EU have long-standing differences over the scope and level of intellectual property rights protection for GIs. We continue to raise our strong concerns regarding the impact of the EU's GI policies on Made in America products, including those that use names such as "parmesan", "bologna", and "feta". Within the Transatlantic Trade and Investment Partnership (T-TIP) negotiations, we have been clear with the EU regarding our strong opposition to existing and future barriers. We will continue to press the EU to expand market access for U.S. producers into the EU and third country markets, including through the removal of barriers such as over-broad GI protection for EU products. Likewise, we have engaged extensively in numerous bilateral and multilateral negotiations, including the World Intellectual Property Organization negotiations to expand the Lisbon Agreement to include GIs, to promote and protect the interests of U.S. farmers and exporters, including trademark holders and producers who use common names.

5)

Q: Although we have a free trade agreement with Australia, U.S. beef has not been approved for sale to Australian consumers even though there is no legitimate science-based reason for the restriction. Meanwhile, Australia is one of the largest sources of beef imports for the United States, with over \$1 billion of Aussie beef consumed by Americans in 2013. What is USTR doing to resolve this issue with Australia so that American ranchers can compete on a level playing field with their Australian counterparts?

A: USTR is working closely with the U.S. Department of Agriculture (USDA) to regain access to Australia for U.S. beef and has raised this issue in a number of meetings with the Government of Australia. In August 2013, according to Australia's food safety import requirements, an audit team from Food Standards Australia New Zealand (FSANZ) conducted an inspection of U.S. production and processing facilities. The United States reviewed the draft report from that inspection, and the final report is currently being completed by FSANZ. In addition to the

FSANZ review, the Australian Department of Agriculture will also conduct a separate import risk analysis. USTR and USDA will continue to urge Australia to open its market fully to U.S. beef and beef products based on science, the World Organization for Animal Health guidelines, and the United States' BSE negligible risk status.

Questions from Rep. McDermott:

1)

Q: The current EU import ban on both frozen and fresh shellfish unfairly prevents U.S. shellfish harvesters from entering the European market. This has a particularly detrimental effect on certain American Indian communities along the West Coast who rely heavily on Geoduck export revenues and want to diversify their export markets. Recognizing SPS issues are going to be one of the toughest parts of the TTIP negotiations, what are you doing to ensure lifting the shellfish import ban is part of the SPS conversation? What, in particular, are you doing to open up the EU market to U.S. Geoduck?

A: The Administration is proactively working to reopen the European Union market to exports of U.S. molluscan shellfish. Recent bilateral technical exchanges by the U.S. Food and Drug Administration are helping to establish a path forward for U.S. exports of molluscan shellfish, including Geoduck, to the EU. The EU audited the U.S. food safety system for molluscan shellfish in late March 2015, an important next step towards resolution.

2)

Q: When USTR adopts a negotiating position for a trade agreement, does USTR have to follow current law?

A: The Administration's trade negotiating proposals are typically grounded in U.S. law and are developed taking into account advice and direction from Congress, consultation with our Congressionally-mandated advisory committees, discussion with other agencies within the Executive Branch, and public feedback.

3)

Q: There is a division on data exclusivity for biologics between current policy as outlined in the president's budget and current law. When there is a discrepancy between current policy and current law, does USTR have the ability to decide which position to follow?

A: The Administration develops trade negotiating proposals, typically grounded in U.S. law, after taking into account advice and direction from Congress, consultation with our Congressionally-mandated advisory committees, discussion with other agencies within the Executive Branch, and public feedback. Biologic drugs offer great potential for new treatments and cures that will benefit all of humankind, and this sector also is one in which U.S. companies are leading global innovators and competitors. As is our traditional practice, the U.S. approach to trade negotiations has been to base U.S. proposals on existing U.S. law, where the current standard is 12 years. In the TPP negotiations, views vary on the best term of data protection for biologics, and standards also vary across the TPP region. Some TPP countries currently have no data protection for biologic drugs, while some have five years and others have eight. We have been engaging intensively with TPP counterparts to try to resolve our differences on this issue.

4)

Q: Ambassador Froman, you testified that USTR's "initial" position in the TPP negotiations on data exclusivity is based on current law. Is USTR open to changing its initial position based on the fact that the Administration, which USTR represents, is calling for a shorter period for data exclusivity for biologics than what current law requires?

A: Biologic drugs offer great potential for new treatments and cures that will benefit all of humankind, and this sector also is one in which U.S. companies are leading global innovators and competitors. As is our traditional practice, the U.S. approach to trade negotiations has been to base U.S. proposals on existing U.S. law, where the current standard is 12 years. In the TPP negotiations, views vary on the best term of data protection for biologics, and standards also vary across the TPP region. Some TPP countries currently have no data protection for biologic drugs, while some have five years and others have eight. We have been engaging intensively with TPP counterparts to try to resolve our differences on this issue.

5)

Q: If USTR is unwilling to consider changing its position about data exclusivity for biologics in TPP, can USTR please explain why?

A: As is our traditional practice, the U.S. approach to trade negotiations has been to base U.S. proposals on existing U.S. law, where the current standard is 12 years. In the TPP negotiations, views vary on the best term of data protection for biologics, and standards also vary across the TPP region. Some TPP countries currently have no data protection for biologic drugs, while some have five years and others have eight. We have been engaging intensively with TPP counterparts to try to resolve our differences on this issue.

Questions from Rep. Reichert:

1)

Q: USTR is currently negotiating in the Trade in Services Agreement, or TiSA, with dozens of countries which make up 70% of global services trade. The United States is the most competitive services exporter in the world, with a growing trade surplus in services. However the WTO rules governing services trade (GATS) were negotiated more than 20 years ago – before the Internet was used widely. TiSA is an overdue opportunity to update the rules to 21st Century standards and create an international environment that allows American companies to press their advantage. Where does TiSA stand among the Administration's trade negotiating priorities?

A: TiSA is a priority and presents an opportunity to negotiate state-of-the-art trade rules aimed at promoting fair and open trade across the full spectrum of service sectors – from telecommunications and technology to distribution and delivery services. TiSA is also a venue to take on new issues confronting the global marketplace, such as restrictions on cross-border data flows that can disrupt the supply of services over the Internet – a rapidly expanding market for U.S. small businesses and entrepreneurs.

2)

Q: I am encouraged by the level of engagement between our governments at all levels since Prime Minister Modi came to office in May 2014. President Obama's visit as the Chief Guest for the Republic Day celebration was remarkable and historic. A major outcome of the engagement so far has been a goal, set during the September 2014 Obama-Modi summit, to quintuple bilateral trade. Unfortunately, that goal is unreachable if India does not level the playing field for American manufacturers, content creators, and innovators. In fact, the ITC recently found that U.S. exports to India would increase by two-thirds and U.S. investment in India would double if India removed a variety of barriers affecting American exporters and innovators, including high tariffs and non-tariff barriers, forced-localization measures, technology transfer requirements, and lack of effective intellectual property protections. What steps is the President taking to deliver increased market access in India?

A: In the September 2014 joint statement between President Obama and Prime Minister Modi, the United States secured India's commitment to engage on trade and investment concerns through the new Dialogue on Promoting Investment in Manufacturing and to engage on intellectual property concerns through a new high-level Working Group. At the minister-level United States-India Trade Policy Forum (TPF) in Delhi in November 2014, USTR raised concerns about several regulatory and market access barriers inhibiting U.S. exports, and India committed to structured work plans for continued engagement in 2015 on (i) promoting investment in manufacturing, (ii) intellectual property, (iii) agriculture, and (iv) services. The President's most recent engagement with Prime Minister Modi in January 2015 resulted in India's commitment to transparency and to stakeholder consultations on policy matters concerning intellectual property protection. We are also working with our Indian counterparts to assess the prospects for moving forward with discussions on a high-standard bilateral investment treaty.

The Administration will continue to press the Indian government to implement the market opening reforms necessary to increase bilateral trade and U.S. goods and services exports to India.

3)

Q: U.S. companies face substantial market access barriers in the Indian marketplace. One such restriction the government of India imposes is the ability of foreign businesses to sell directly to Indian consumers over the Internet. This restriction limits U.S. foreign direct investment (FDI) in India and access for Indian customers to goods and job opportunities. In light of the deepening engagement with India, including the President's trip in January, can you outline what USTR is doing to encourage the Indian government to liberalize FDI in e-commerce?

A: The Obama Administration continues to urge the Government of India to adopt measures that help promote an open and welcoming investment climate for business-to-consumer (B2C) e-commerce. As part of these efforts, I have stressed to the Government of India on numerous occasions, including in the context of the United States-India Trade Policy Forum, that market liberalization in the B2C e-commerce sector can provide broad economic benefits to both the United States and India in terms of potential investment and job creation, and also provide greater consumer choice.

4)

Q: Washington State's agriculture industry is well positioned to be a big beneficiary of a well-negotiated TPP agreement. Our fruit, potato, and wheat growers have been very keenly interested in making use of our coastal advantage to deepen our access to the Asia-Pacific region. Our dairy companies have also been eager to tap into new markets in Canada that they are largely locked out of right now. What update can you provide on those very challenging discussions and whether we're likely to see a final result that balances new U.S. commitments with comparable new opportunities to those large markets?

A: U.S. agricultural exports to the 11 other TPP countries totaled \$63 billion in 2014, accounting for 42 percent of total U.S. agricultural exports to all destinations. Through the TPP negotiations, we are working to build on this already strong foundation and deliver new and meaningful market access opportunities for U.S. agriculture, including for wheat, fruits and vegetables, and dairy products. We expect this outcome to be achieved through a combination of tariff elimination, deep tariff reductions, and new preferential tariff-rate quotas. We are pressing Canada for a meaningful outcome on dairy, poultry, and eggs. We are mindful of the sensitive nature of dairy imports in the United States, and are taking these sensitivities into account as part of the TPP negotiating process

5)

Q: I also want to underscore the importance of achieving strong provisions for intellectual property in our trade agreements. IP protections are critical for American innovators who lead the world in technology and create new medicines that improve and save lives. For example, 12 years of biologic data protection, such as is reflected in U.S. law, provides the appropriate balance to encourage investment in research. What is your strategy for ensuring a successful outcome in the TPP on IP — and how can we help?

A: We share your commitment to obtaining strong standards of IPR protection and enforcement that are grounded in U.S. law and that will stand alongside those of other U.S. FTAs in the Asia Pacific region. Biologic drugs offer great potential for new treatments and cures that will benefit all of humankind, and this sector also is one in which U.S. companies are leading global innovators and competitors. As is our traditional practice, the U.S. approach to trade negotiations has been to base U.S. proposals on existing U.S. law, where the current standard is 12 years. In the TPP negotiations, views vary on the best term of data protection for biologics, and standards also vary across the TPP region. Some TPP countries currently have no data protection for biologic drugs, while some have five years and others have eight. We have been engaging intensively with TPP counterparts to try to resolve our differences on this issue.

6)

Q: In remarks last June, you highlighted data localization requirements as a significant problem for U.S. services companies working to expand into foreign markets and compete globally. Specifically, you stated:

“Restrictions on the flow of data across borders or requirements that companies duplicate their IT infrastructure in a country in order to serve that market makes it harder for companies of all sizes, based in all countries, to compete, and for buyers of all types to connect.”

I agree with you, and applaud you for your efforts to ensure that such barriers are addressed in ongoing trade negotiations, including the TPP. However, I am concerned that TPP won't fully address these barriers for U.S. financial services companies (insurers, reinsurers, banks, and electronic payments services providers). Will the TPP explicitly prohibit our trading partners from requiring U.S. financial services firms to set up local data centers as a condition of doing business in their markets? If not, this is a serious concern. Will your office work with mine to ensure that this omission is not repeated in other trade negotiations, such as TTIP and TiSA?

A: The significant increase in localization barriers to trade around the world is of serious concern to the Obama Administration. We are advancing efforts to reduce and prevent the proliferation of localization barriers to trade, including restrictions on data flows and requirements to establish infrastructure domestically, through the full range of bilateral, multilateral, and regional fora.

7)

Q: Is lifting the frozen and fresh shellfish import ban a part of the TTIP SPS conversations? If so, can you describe what actions you are taking to open up the EU market to U.S. geoduck?

A: The Administration is proactively working to reopen the European Union market to exports of U.S. molluscan shellfish. Recent bilateral technical exchanges by the U.S. Food and Drug Administration are helping to establish a path forward for U.S. exports of molluscan shellfish, including Geoduck, to the EU. The EU audited the U.S. food safety system for molluscan shellfish in late March 2015, an important next step towards resolution.

8)

Q: You have often spoken of strong intellectual property (IP) rights and enforcement as important not only to economies, but also to society. For example, patents incentivize the development of innovative medicines and copyrights protect works of cultural value. In the TTIP, both the United States and the EU are already home to robust IP regimes. For that reason, TTIP provides an important opportunity for the two sides to demonstrate international leadership and to establish minimum benchmark standards that the United States and the EU should seek in future trade agreements with third parties. Even though the United States and the EU have strong systems in place to protect and enforce IP, each also faces challenges to the protection of those intellectual assets elsewhere in the world. How can the United States and the EU use TTIP to address critical issues surrounding the erosion of IP rights by our trading partners?

A: T-TIP provides an opportunity to build on the shared transatlantic commitment to strong IPR protection and enforcement, consistent with our respective systems, to enhance our joint leadership in this area and to continue our work to promote those high standards, including in other markets. Our T-TIP objectives seek to build on our common IP strengths and successes to address IP issues in our own markets, while promoting good policies in third countries and international organizations as well. We are working with the EU in T-TIP on developing mechanisms to build upon our long history of cooperation and to enhance our coordination on IPR issues globally.

9)

Q: Nearly two years ago the government in Bogota published a decree requiring Colombian consumers to purchase and scrap an old heavy-duty truck before they can register and use a new heavy-duty truck. This extraordinary regulatory burden has had a significant, negative effect on American truck manufacturers. Sales are down 70% since the decree was published. That translates into nearly half a billion dollars in lost exports. What tools has USTR employed to remove this technical barrier to trade? Are there any next steps?

A: We have been pressing the Government of Colombia to address this issue. The United States has sought to address this issue in multiple fora and at multiple levels, including in the negotiations on Colombia's membership in the OECD. Both USTR and other U.S. Government agencies have voiced strong concerns on this issue with senior Colombian officials. We are continuing to press for a comprehensive solution as soon as possible.

Questions from Rep. Boustany:

1)

Q: You and I have had numerous conversations about the importance of TPA and the role this legislation plays in the ongoing TPP negotiations. From the conversation during the hearing, I think it was clear that many of my colleagues agree. Without having TPA in place, do you believe other countries have an incentive to place their best offers on the table?

A: The Administration has been clear that TPA is a critical part of our trade agenda and will continue to work with Congress throughout the legislative process to pass TPA legislation with as broad bipartisan support as possible. TPA conveys that the United States is negotiating with one voice and that there is support both in Congress and the executive for moving ahead. Our trading partners are following our political process and our policy process closely. And as a result, we've been able to continue to work in parallel to move the TPP agenda forward at the same time as we move forward with Congress towards bipartisan trade promotion authority.

2)

Q: Additionally, it was clearly highlighted during the hearing that the Trans Pacific Partnership will offer incredible opportunities for U.S. businesses and working Americans. Can you describe the issues/provisions/chapters for which negotiations have been completed – as well as those that remain outstanding?

A: As in all trade negotiations, nothing is agreed until everything is agreed. However, we have made significant progress across many chapters and issues where the text is stabilized. For example, we have worked through most of the issues on the chapters related to small- and medium-sized enterprises, development, cooperation and capacity building, competitiveness, and regulatory coherence. We also have made good progress on other issues related to non-tariff barriers, services-related rules, and other issues. But we are still actively working to negotiate strong outcomes in a variety of other areas, including intellectual property rights, state-owned enterprises, and market access.

3)

Q: What is the status of bilateral negotiations between the United States and Japan? What has been agreed to and what remains to be negotiated? In what areas in the overall TPP talks has Japan been supportive of U.S. negotiating positions?

A: In the overall TPP talks, the United States and Japan are working closely to reach agreement on high standard rules and coordinating closely to bring other TPP countries on board..

Regarding the bilateral negotiations between the United States and Japan, we are pursuing a two-prong strategy on motor vehicles — working to keep our auto and truck tariffs in place for as long as possible, while addressing the wide range of non-tariff measures that have impeded access to the Japanese market for U.S. autos. Japan has agreed that the timetable for eliminating U.S. motor vehicle tariffs will be the longest for any product in the TPP. With respect to non-tariff measures, we are making good progress to address issues including regulatory transparency, standards, certification, financial incentives, and distribution. We are also pursuing commitments for strong and accelerated dispute settlement procedures with stiff penalties in the event of noncompliance.

Regarding our bilateral market access negotiations on agriculture, TPP is providing the United States with an opportunity to expand the already strong position that U.S. agricultural products enjoy in Japan's market. Japan's market has long been one of the most protected in the world. In TPP, Japan will go further than it has gone before in terms of opening its market. Our primary objective is to secure full tariff elimination. Where that outcome is not achievable, we are working with Japan to secure outcomes designed to provide new and commercially meaningful access for America's farmers, ranchers, and food processors.

4)

Q: Congress recently enacted legislation as part of the Defense Authorization bill expressing strong support for the Jones Act, and in particular recognizing its importance to national security. The U.S. maritime industry is an important segment of the Louisiana economy. We are aware that the EU and other foreign nations are continuing to aggressively press the U.S. to include the Jones Act and other maritime matters in trade agreements.

You told this Committee last year “this Administration has continuously ensured that the application of the Jones Act is permitted under each of our trade agreements” and that as you “continue to participate in discussions where this issue may arise, including trade agreement negotiations, [the Administration] will continue to take this position.”

It is important to me and to the Congress that we resist any efforts by foreign nations to undermine our maritime laws, such as the Jones Act. Can I get your assurance that, as you have in the past, you will continue to exclude the Jones Act and other maritime matters from trade agreements?

A: Our negotiating counterparts understand our longstanding sensitivity about domestic cabotage and other activities covered by the Jones Act statutes, and they know that those laws and related measures are exempted from the WTO Agreement and all of our previous FTAs. Having consulted with Congress, as well as industry and labor groups, we do not foresee a change in this position.

5)

Q: As you know, I am a strong free trade advocate and am proud to be working with the large U.S. export community to help pass the TPP agreement. However, Malaysia and Vietnam as well as other nations engaged in the TPP negotiation don't always respect the rules of market economics and free trade. For example, both nations have a strategy and millions in funding from their governments for developing a shrimp industry that follows the Asian national champion model. This unfair market distorting approach is problematic to domestic wild caught shrimp processors, important constituents in my Gulf of Mexico district.

What are you doing in the TPP negotiation to eliminate subsidies of this nature and would you be willing to work with me to better highlight these problematic numbers in the shrimp industry as an example of egregious government subsidies overall by these two nations? And, would you be willing to work with me in eliminating these subsidies in the TPP negotiation? Can something be done on this issue in either the fish subsidy or the state owned enterprise negotiations or both?

And I want to ultimately make sure that any nation that might accede to TPP such as Indonesia and Thailand move toward the market standards in the shrimp arena required of our processors and harvesters. If these foreign subsidies are not brought under control, the survival of the US shrimp industry, an important economic and cultural contributor to the Gulf region will be in jeopardy.

A: The WTO Agreement on Subsidies and Countervailing Measures provides remedies to counter foreign subsidies that cause adverse effects to a U.S. industry. More details on the subsidies at issue and the negative effects they may be causing would be needed to determine the possible remedies under the WTO Subsidies Agreement. I would be happy to have my office work with your office further on this particular matter.

6)

Q: China's leadership continues to pledge that the market will play a greater role in China's economy, yet government actions, including use of China's Anti-Monopoly Law, continue to advance industrial policies in a coordinated manner.

What is the Administration's strategy for addressing China's use of the AML as an industrial policy tool? Isn't it time to develop a clear, transparent strategy that marshals the expertise of U.S. trade, competition and commercial diplomacy agencies?

More specifically, recent Joint Commission on Commerce & Trade (JCCT) and Strategic & Economic Dialogue (S&ED) outcomes suggest modest progress on transparency and procedural fairness, but what is the Administration's plan in 2015 to follow up on the discriminatory substance of AML enforcement and M&A review decisions that are fundamentally inconsistent with international best practice and serve to further stated Chinese industrial policy objectives—all to the detriment of American companies competing not only in China but around the world?

A: Over the last few years, there has been a proliferation of Anti-Monopoly Law (AML) cases against U.S. companies in a number of different sectors. This is a serious concern for us.

Across the Administration, we have been pursuing a robust strategy to convey to China that AML enforcement must be transparent, non-discriminatory, and limited to addressing harm to competition. We are closely monitoring China's implementation of the AML and have been in regular contact with U.S. companies on the range of AML issues that affect the business climate in China. We want to ensure that U.S. firms are not singled out for AML investigations, and we have expressed concern to China, for example, about China AML agency actions indicating that there was inappropriate treatment of U.S. firms.

The Administration has made important progress. At the 2014 Strategic and Economic Dialogue, China committed that the objective of competition policy is to promote consumer welfare and economic efficiency, and the enforcement should be fair, objective, transparent, and non-discriminatory. At the December 2014 U.S.-China Joint Commission on Commerce and Trade, China made more specific substantive and procedural commitments. For example, China committed that all businesses shall be treated equally and that any enforcement actions will address harm to competition and not promote individual competitors or industries. China also committed to increase the ability of counsel to attend meetings with AML agencies, and to provide more transparent penalty procedures and competition-based remedies. The U.S. Government will continue to work with China in 2015 to ensure that competition-based factors must guide enforcement and to urge China to abide by commonly-accepted best practices.

7)

Q: How do you plan to use the ongoing BIT negotiations to address serious Anti-Monopoly Law enforcement concerns as well as a range of challenges that U.S. investors confront in China, including (1) competing with unfairly subsidized and otherwise state-advantaged enterprises (SOEs and SSEs), (2) discriminatory and non-transparent standards setting, (3) data localization requirements, and severe and growing restrictions on cross-border data flows, etc.? My colleagues and I would appreciate a detailed response about what modifications you plan to make to the Model BIT in your negotiations with China to ensure that the market access and level playing fields that are promised by the BIT are not comprised by limited coverage and/or loopholes in the current text.

A: The United States is pursuing a high standard BIT with China that would require China to make major economic reforms and would help to address key concerns of U.S. investors in the China market. We are continuing to engage in analysis and intensive consultations to ensure that the BIT text, as well as the "negative list," will adequately address U.S. stakeholders' concerns, including with respect to SOEs and other top priority issues in the Chinese market.

8)

Q: The United States and European Union protect foreign investments through systems of jurisprudence, rights to equitable treatment, and fair and impartial hearings of disputes. I think many industries here in the U.S. fully support the right of governments to regulate in the public interest, for example, in the field of environmental protection or consumer health.

Do you support an investment chapter containing strong investment protections that ensure fair and equitable treatment of investors; full protection and security of investments; a prohibition on expropriation of investments; prompt compensation when expropriation occurs; free transfers of capital; and access to reliable, independent, international third-party dispute resolution mechanisms (e.g., investor state arbitration)?

A: Ensuring that Americans doing business abroad are treated in a fair and non-discriminatory manner is an important objective of our trade negotiations, as is ensuring access to an effective mechanism for resolving investment disputes. In keeping with these objectives, and as we do in all our trade agreements, the United States is seeking the inclusion of procedures for fair and transparent settlement of investor-State disputes, while ensuring that the provisions of the agreement safeguard legitimate government regulatory interests. The basis for our investment proposals in trade agreements is the U.S. Model Bilateral Investment Treaty, which is available on the State Department's website, and which was the result of an extensive, multi-year congressional and public consultation process.

9)

Q: As you know, Louisiana is home to much of our nation's oil and gas industry. Throughout recent conversations, it has been raised to me by a number of energy companies who would like assurance from USTR that the Administration will negotiate agreements that open up the U.S. and other markets for more capital investment and trade in goods and services and that do not also import additional regulation.

Ambassador Froman, could you provide us with assurances that USTR continues to negotiate agreements such as TPP and TTIP so that the accords work in favor of American businesses by opening up markets for investment and trade while not also undermining U.S. sovereignty with regards to regulations?

A: It remains our goal and expectation that T-TIP and TPP will both be comprehensive agreements that provide non-discriminatory access for U.S. goods, investors, and services providers without compromising the ability of the U.S. federal government, states, or localities to regulate in the public interest

10)

Q: The auto industry looks very different today than it did 40 years ago. International companies like Toyota, Honda, Nissan, Hyundai, Kia, VW and BMW employ 100,000 Americans, produce 45 percent of all the vehicles made here each year, and export almost a million vehicles annually from their U.S. facilities.

When you assess the potential impact of trade agreements like the TPP or TTIP, do you think about how it would affect all of the companies (and their employees) that make up the U.S. auto industry as it exists today – or do you look at a smaller group of companies? If the latter, why?

A: When we assess the potential impact of our trade agreements, including with respect to TPP and T-TIP, we consider the potential impact on the U.S. automotive industry as a whole. Cross-border transactions are vital to the auto industry, which accounts for nearly 10 percent of global trade. In 2014, the United States exported more than \$200 billion in autos and auto parts, accounting for 12.4 percent of U.S. goods exports. Since 2009, the U.S. automotive industry has undergone an industrial renaissance, with employment increasing steadily, up 40 percent (250,000 jobs) in the past six years, supported by growing U.S. exports. From 2009 to 2014, U.S. auto exports more than doubled to \$69 billion, and U.S. exports of auto parts increased by more than 80 percent to \$131 billion, with exports of both autos and auto parts now at all-time record highs. U.S. auto exports to our current FTA partner countries have increased by 513,000

vehicles, to 1.5 million vehicles, and U.S. auto parts exports to our FTA partner countries have increased by \$43 billion.

11)

Q: The Transatlantic Trade and Investment Partnership (TTIP) can improve upon the already deep relationship between the world's two largest financial markets, the European Union and United States. Addressing financial services broadly in TTIP will make economic growth and job creation more efficient, reducing costs and ultimately benefiting consumers in both the US and EU.

Do you agree that the inclusion of a financial services framework, including regulatory cooperation, is an essential part of a successful TTIP? What is USTR currently doing to advance American interests in this regard?

A: In T-TIP, as in all of our free trade agreements, the Administration seeks robust market access commitments for financial services to help protect U.S. financial services suppliers from discriminatory treatment in foreign markets.

The United States is pursuing an ambitious and comprehensive agenda on regulatory cooperation in the financial sector – multilaterally in the G-20, the Financial Stability Board, international standard-setting bodies, and bilaterally with the European Union in the Financial Markets Regulatory Dialogue. The Administration believes that financial regulatory cooperation should continue to make progress in those existing and appropriate bilateral and multilateral fora in parallel, alongside the T-TIP negotiations.

12)

Q: As you know, the ITC recently found that U.S. exports to India would increase by two-thirds and U.S. investment in India would double if India removed a variety of barriers affecting American exporters and innovators, including high tariffs and non-tariff barriers, forced-localization measures, technology transfer requirements, lack of effective copyright protection, and discriminatory application of its patent laws. We understand that reform will not come overnight, but can you explain to me your short term goals to lower India's many and varied trade barriers?

A: During the November 2014 United States-India Trade Policy Forum (TPF), India committed to structured work plans for continued engagement in 2015 on intellectual property (IP), agriculture, services, and promoting investment in manufacturing. With respect to IP, the United States agreed to work jointly with India on, among other issues, improved copyright enforcement, enhancing access to healthcare, and bolstering trade secrets protection. In manufacturing, India agreed to engage with the United States on best practices concerning procedures for notice and comment on new rules, single window clearance, and conformity assessment. India also agreed to reconcile disparities in labeling regulations affecting U.S. agricultural exporters, and expressed a willingness to promote foreign participation in services sectors of interest to the United States. Additional engagement on these and other issues is planned in the coming months.

13)

Q: I believe it is universally agreed that India needs to improve IPR. I know that USTR is in the middle of the 2015 Special 301 Report comment period. Last year's report

maintained India's position on the Priority Watch List, but designated India for an Out-of-Cycle Review. Your OCR process, completed in December, focused entirely on India's engagement and not at all on substantive progress. So, the 2015 Special 301 process must assess changes by the Modi Administration in IPR policy and enforcement, if any have been made. Can you summarize any such changes by the Modi Administration?

A: The 2014 Out-of-Cycle Review of India was initiated to evaluate progress toward achieving meaningful, sustained, and effective engagement on intellectual property (IP) issues with India. Over the last several months, USTR has had multiple engagements with Indian Government officials at both the staff and senior levels on the broad range of IP issues of concern to the United States and to U.S. stakeholders. Through that engagement, the Indian Government has discussed plans to institutionalize high-level engagement on IP issues, pursue a specific work program, promote stakeholder consultation, and deepen cooperation and information exchange with the United States on IP-related issues under the U.S.-India Trade Policy Forum.

14)

Q: The past eight months have been immensely encouraging for U.S.-India relations. I see a relationship emerging here that opens up an unlimited potential for collaboration, for enhanced competitiveness of both our economies. One area where India is primed for increased competitiveness is in content creation. Poor copyright enforcement has stunted India's entertainment industry. India is the largest source in Asia of pirated movies, so its major movie releases only spend an average of about a week in theatres. India's music sector grosses only about \$100 million annually. Can you update us on steps USTR is taking to bolster India's copyright enforcement?

A: To address issues related to copyright enforcement, USTR has invited India's experts in this area to work with U.S. experts to identify what steps both governments can take towards this common objective. We plan to identify the successful enforcement efforts in both countries, examine common challenges posed by technological advances, discuss how governments can better share information and cooperate between national, state, and local authorities, and review input from the private sector, as appropriate. By cooperating on efforts to improve copyright enforcement, including through the sharing of information and experiences from each country's own enforcement efforts, India and the United States can help reduce the scope for infringing behavior.

15)

Q: India has tariffs of more than 100 percent on such products as autos, textiles and distilled spirits as well as government procurement provisions that force local production of solar energy and telecommunications equipment. Can you update us on progress towards creating broad new market access for U.S. exporters in India, perhaps to start with a BIT?

A: The Obama Administration has strongly encouraged the Indian government to reduce tariffs and remove local content requirements, arguing that such reforms will help not only U.S. companies, but also facilitate the foreign direct investment that India is seeking to attract. For example, under the U.S.-India Dialogue on Promoting Investment in Manufacturing, USTR is encouraging India to adopt trade and investment policies that will attract investment to India without the use of local content or local manufacturing requirements. In line with President Obama and Prime Minister Modi's January 2015 joint statement, the Obama Administration is

also working with India to assess the prospects for moving forward with high-standard bilateral investment treaty discussions.

16)

Q: One of the areas of focus in Congressional deliberations over Trade Promotion Authority (TPA) will be improvements in the rule of law and strengthening the operation of legal regimes in the trading partners of the United States. In the case of Mexico, Mexico's executive branch continues to make important strides in passing progressive reforms which should assist in furthering an environment conducive to foreign direct investment. However, U.S. investors continue to find the Mexican judicial system at the state and local level to be characterized by costly inefficiencies, and legal proceedings that run on for years without resolution. This has been recognized periodically by the State Department in its annual Investment Climate Statement and Human Rights Reports. How can we expect TPP to address the problems that American investors face in Mexico, particularly when it comes to responding to these challenges in the Mexican judicial system – that is, systemically improving the rule of law in Mexico – beyond existing investment protections?

A: We are seeking in TPP to complement balanced investor protections, such as those against discrimination and uncompensated expropriation of property, with opportunities for cooperation and consultation. Separate from the negotiations, USTR actively monitors the trade and investment climate in the markets of our trading partners; works closely with stakeholders to identify problems they may be facing in those countries; and engages regularly with officials from these countries to encourage policies and actions that support trade and investment with the United States.

Questions from Rep. Roskam:

1)

Q: I am heartened to see the energy that the Modi government has brought to India. Of particular note is Prime Minister Modi's recognition of the importance of improving India's trade and investment climate. To be sure, many barriers still remain, but the government's acknowledgement and engagement has been a breath of fresh air. You accompanied the President during his recent visit to India. What is the Administration doing and what are you doing to translate this renewed bilateral engagement into action that can lead to concrete progress and real results on longstanding trade, investment, and intellectual property challenges?

A: In the September 2014 joint statement between President Obama and Prime Minister Modi, the United States secured India's commitment to engage on trade and investment concerns through a new Dialogue on Promoting Investment in Manufacturing and to engage on intellectual property concerns through a new high-level Working Group. At the minister-level United States-India Trade Policy Forum (TPF) in Delhi in November 2014, USTR raised concerns about several regulatory and market access barriers inhibiting U.S. exports, and India committed to structured work plans for continued engagement in 2015 on (i) promoting investment in manufacturing, (ii) intellectual property, (iii) agriculture, and (iv) services. The President's most recent engagement with Prime Minister Modi in January 2015 resulted in India's commitment to transparency and to stakeholders' consultations on policy matters concerning intellectual property

protection. We are also working with our Indian counterparts to assess the prospects for moving forward with high-standard bilateral investment treaty discussions.

The Administration will continue to press the Indian government to implement the market opening reforms necessary to increase bilateral trade and U.S. goods and services exports to India.

2)

Q: Ambassador Froman, the WTO Trade Facilitation Agreement is a landmark deal that will simplify customs procedures and facilitate the movement of goods across borders. When the agreement is fully implemented, it could provide more than \$1 trillion in stimulus to the world economy. And perhaps just as importantly, the TFA is an important barometer for the institution of the WTO, as the first multilateral trade agreement to be concluded in its history. You and the team at USTR played a vital role last year in ensuring the TFA was implemented, after the WTO hit a roadblock with India in adopting the protocol of amendment. Now that the TFA is on its way to ratification, what steps will the United States be taking -- both bilaterally and unilaterally -- to help countries ratify this agreement and begin working toward fulfilling the commitments under each category?

A: The Administration is committed to ensure that the TFA enter into force by the end of 2015. We were pleased to notify the WTO of the U.S. acceptance of the TFA in January and are proud to take a leadership role in encouraging other WTO Members to ratify the agreement as soon as possible so as to ensure rapid entry into force of the agreement.

In addition to outreach through U.S. Embassies in WTO Members, the United States, along with important co-sponsors, is working to advance this goal through important regional groups such as APEC and Summit of the Americas and through cooperation with the East African Community (EAC) under the recently signed U.S.-EAC Cooperation Agreement. USAID continues to provide a vast range of trade facilitation-related implementation support, including work aimed at advancing implementation of the TFA by conducting WTO Trade Facilitation needs assessments in over 27 countries. In Nigeria, Vietnam, and Central America, for example, U.S. missions conducted workshops focused on implementation of the WTO TFA. Further, we are working closely with USAID on how to best support those countries that are committed to implementation.

Questions from Rep. Becerra:

1)

Q: As you know our U.S. film industry, including the independents is a major generator of jobs and a major export. Almost three years ago, the U.S. and China reached an agreement to address China trade violations related to entry of U.S. films into the China market. I am concerned that China has not taken steps to implement the February 2012 agreement's provisions to allow more distribution of U.S. films outside of the state owned theatrical distribution monopoly, the China Film Group. Additionally, there is another informal quota for imported film that is thwarting implementation, as well as the introduction of new restrictions on TV and VOD that are not consistent with overall trade obligations. What can the U.S. do to get China to comply with its trade agreements in this area?

A: Following the February 2012 agreement between the United States and China with regard to certain rulings relating to the importation and distribution of theatrical films the two sides signed a memorandum of understanding (MOU) providing for substantial increases in the number of foreign films imported and distributed in China each year, along with substantial additional revenue for foreign film producers. More revenue-sharing U.S. films have been imported and distributed in China since the signing of the MOU, with a corresponding increase in box office revenue for U.S. producers. However, China has not yet fully implemented its MOU commitments, including with regard to the commitment to open up film distribution opportunities for imported films that are distributed in China on a flat-fee basis rather than a revenue-sharing basis. As a result, USTR has been pressing China for full implementation of the MOU.

2)

Q: We have an entire Foreign Agriculture Service to promote U.S. agriculture exports, but for the core copyright industries, the primary benefit they get from trade agreements is strong copyright provisions. Can you commit to working for the strongest possible copyright provisions in TPP, building on those in the KORUS FTA, which received broad support in Congress and from the U.S. business community?

A: USTR is working in TPP to secure strong standards of IPR protection and enforcement that are grounded in U.S. law. To this end, we have been closely consulting with Congress, industry, and other stakeholders.

Questions from Rep. Schock:

1)

Q: I understand that the WTO will rule on the U.S. Country of Origin Labeling rules for muscle cuts of meat as early as this spring, and both Canada and Mexico have threatened retaliation against U.S. Products if they win. If this happens, what's your plan to avert such harmful retaliation against the farmers in my district and producers of numerous products across the country? How would a finding of non-compliance for the U.S. affect its status as a trading partner with Canada and Mexico while in the midst of finalizing the Trans-Pacific Partnership?

A: The Appellate Body has informed the parties that the WTO will issue the report "no later than May 18." When the report is issued, USTR and USDA will work closely with Congress to evaluate what if any changes are necessary and determine the best way to implement necessary changes. Were the Appellate Body to find that the current COOL requirements are WTO-inconsistent, we would consider what steps the United States would need to take to come into compliance.

2)

Q: Over the past few months, there have been a growing number of marketing restrictions proposed for processed foods that may be derived from biotechnology crops (for example, genetically-modified soybeans). They include labeling requirements or outright prohibitions on entering the market. This is despite the findings of numerous well-respected regulatory agencies and organizations, including the U.S. Food & Drug Administration, the American Medical Association, the World Health Organization, Health Canada, the U.S. Department of Agriculture and the National Academy of Sciences, that have found genetically modified food ingredients are safe and there are no negative health effects associated with their use.

These proposed restrictions are not based on sound science and create unnecessary barriers to US food exports. I appreciate USTR's efforts to address non-science based regulations in foreign markets such as China and the EU that impede trade in biotechnology products, including commodities produced from biotechnology. However, I am concerned about an increasing number of trade restrictions being placed on processed food that may be derived from biotech crops, including import bans and unjustifiable labeling requirements, by foreign governments, such as Taiwan and Sri Lanka. Can you provide me with an update on how the Administration plans to defend U.S. food exports from these non-science based regulations globally, which are increasingly becoming a serious market access barrier for U.S. companies?

A: Agricultural biotechnology is critical to helping feed the world's growing population and reduce the impact of agriculture on the environment. Central to the U.S. government's effort is a comprehensive strategy to address trade disruptions resulting from differences in national approval systems for agricultural products derived from modern biotechnology. We will continue to execute this strategy at the highest levels bilaterally as well as through international organizations.

3)

Q: President Obama has said that the US-Korea FTA should be the model for future trade agreements. I firmly agree with the President on this point and believe this is particularly important with regard to international IP norms. We were able to secure, for the first time in the US-Korea FTA, a provision to criminalize illicit camcording in theaters. This was a major accomplishment as 90 percent of infringing copies of films currently in theatrical release and found online and on the streets can be sourced back to illicit camcords. This is source piracy and if we are serious about tackling the theft of U.S. intellectual property then we must make great efforts to tackle source piracy in our trade agreements. Do I have your commitment that you will secure a commitment to criminalize illicit camcording in the TPP?

A: We are working to address illicit camcording in a variety of contexts, including TPP. More generally, we are working to secure strong standards of IPR protection and enforcement that are grounded in U.S. law.

4)

Q: As you know, tariff rates on footwear are burdensome for both consumers and businesses. For example, 99.9% of children's shoes are imported and the tariff rates can be as high as 67.5%, adding significant cost for families buying shoes for their kids. The U.S. footwear industry employs hundreds of thousands of Americans and adds the majority of the value to footwear through design, marketing and retail; yet these businesses paid \$2.7 billion in footwear duties in 2014 and \$400 million in duties from TPP countries alone. Eliminating these duties would help both families and businesses, so can you update us on the status of the TPP negotiations as they relate to footwear?

A: USTR has worked closely with U.S. footwear manufacturers, brands, and importers to develop a comprehensive understanding of sensitive and non-sensitive footwear products, so that we can appropriately address their priorities and concerns in the tariff treatment of footwear. As we negotiate with our TPP partners, we are continuing to consult closely with stakeholders on how to

structure tariff elimination offers to balance their interests and to achieve the broad tariff liberalization that is the key objective of TPP.

5)

Q: The idea that trade policies and regulations should be based on sound science is a pillar of free trade, so it's concerning when U.S. FTA partners and international organizations push for regulations that target a specific industry without good science behind them. For example, Chile appears ready to implement a restrictive nutrition labeling regime without scientific evidence that the proposed regulations will achieve the stated goal of reducing obesity. The regulations would affect over 90% of processed food and beverage products, many of which are exported from the U.S. What is the Administration's view of these specific proposed regulations, and do you think it sets a dangerous precedent for other U.S. FTA partners?

A: U.S. FTA partners are bound by both their free trade agreement obligations and the World Trade Organization agreements. The United States is working closely with Chile to understand the most recent version of its proposed nutrition labeling regime and ensure it complies with all relevant FTA and WTO obligations.

6)

Q: I want to touch on the negotiations with the EU on TTIP. There are a wide range of issues being discussed, but the Administration has taken financial services regulatory issues off the table for the agreement. I understand that there are parallel processes that are ongoing, like the Financial Market Regulatory Dialogue, but I share the concerns of the EU and the industry that this dialogue isn't moving us closer to resolving regulatory inconsistencies. Would you be willing to take another look at including financial services within TTIP?

A: Financial services are a critical part of our transatlantic economic relationship. In T-TIP, as in all of our free trade agreements, the Administration seeks robust market access commitments for financial services to help protect U.S. financial services suppliers from discriminatory treatment in foreign markets.

The United States is pursuing an ambitious and comprehensive agenda on regulatory cooperation in the financial sector – multilaterally in the G-20, the Financial Stability Board, international standard-setting bodies, and bilaterally with the European Union in the Financial Markets Regulatory Dialogue. The Administration believes that financial regulatory cooperation should continue to make progress in those existing and appropriate bilateral and multilateral fora in parallel, alongside the T-TIP negotiations.

Questions from Rep. Reed:

1)

Q: There are a lot of dairy farm and dairy processing jobs in my district. Trade has been having a growing impact on their businesses as U.S. dairy exports have grown. TPP seems to offer some sizable opportunities for them – especially into the Canadian & Japanese markets. What are you doing to ensure that whatever access the U.S. grants on dairy

imports to the major dairy exporters in TPP will be balanced out with commercially meaningful new access into the Canadian and Japanese markets?

A: We are working to provide new and expanded opportunities for U.S. dairy products in all of the TPP markets. This will be achieved through tariff elimination, deep tariff reductions, and new preferential tariff rate quotas. Gaining new and meaningful dairy market access in Canada and Japan are top priorities of the TPP agricultural market access negotiations. In addition, we expect to gain valuable new market access through the elimination of tariffs for U.S. dairy products exported to Vietnam and Malaysia. We are mindful of the sensitive nature of dairy imports in the United States and are taking these sensitivities into account as part of the TPP negotiating process.

2)

Q: I want to thank you for working with USDA on the agreement announced on January 26, 2015, to further open the Chinese market to U.S. apple exports. This agreement is expected to boost apple exports by \$100 million per year. This is exactly the type of effort that can help apple growers in New York State. What more can be done with TPP and other trade agreements to get similar results for apples and other agricultural products?

A: In TPP and T-TIP, we expect to eliminate all tariffs on U.S. apples. For example, Vietnam, to which we currently export \$33 million of apples, currently has a tariff of around 10 percent, and Malaysia, to which we export \$15 million, currently has a tariff of five percent. The EU, to which we export about \$13 million of apples, has a tariff of 10 percent. With tariff elimination, U.S. apples would be more competitive in those countries.

In addition to eliminating tariffs, TPP and T-TIP can level the playing field for U.S. exports through the use of internationally-accepted, science-based standards. Using risk-based standards, countries can remove unwarranted barriers to facilitate trade in food and agricultural products.

The Obama Administration is also focused on enforcing current trade agreements. For example, on March 18, USTR initiated a WTO dispute against Indonesia for its unwarranted import licensing regime, which is restricting the import of U.S. apples and other horticultural products.

3)

Q: I know you are committed to bringing down or eliminating tariffs but I am also concerned with non-tariff barriers, where countries use regulatory frameworks to keep out U.S. exports and diminish trade flows. These non-tariff barriers impede U.S. exports ranging from NY state apples, to manufactured goods to financial services. Can you assure me that you will make an effort to address regulatory issues across all sectors in the TPP and TTIP? How does the Administration plan to address financial services barriers in Europe in an enforceable and ambitious manner in TTIP?

A: The Administration is working to address non-tariff barriers both through our free trade agreement negotiations, including TPP and T-TIP, and our other bilateral, regional, and multilateral engagement.

For example, transparency and good governance are key priorities for the Obama Administration. In TPP, we are negotiating specific transparency and due process provisions. These elements are already an integral part of the U.S. system. Through TPP and T-TIP we are seeking to promote a

similar level of transparency throughout the EU and the Asia-Pacific region. We are also actively working to secure high standard commitments on technical barriers to trade and SPS measures.

As another example, the significant increase in localization barriers to trade around the world is of serious concern to the Obama Administration, and we are advancing efforts to reduce and prevent these barriers, including restrictions on data flows and requirements to establish infrastructure domestically, including in bilateral, multilateral, and regional fora.

In T-TIP, as in all of our free trade agreements, the Administration seeks robust market access commitments for financial services to help protect U.S. financial services suppliers from discriminatory treatment in foreign markets. We believe that work on financial services regulatory issues should proceed in parallel, alongside T-TIP through the existing mechanisms for regulatory cooperation, including the bilateral Financial Markets Regulatory Dialogue.

4)

Q: I am proud that my district is home to Corning Incorporated. Corning recently expanded its plant and workforce to produce filters for mobile emissions technology. These products face staggering tariffs as high as 17.5 percent. Eliminating tariffs like these is crucial to helping our U.S. manufacturers. Who are the major global traders in environmental goods that are not party to the Environmental Goods Agreement negotiations, and what is your plan to try to bring them into the process? How do we avoid a free-rider problem when this agreement is implemented?

A: The United States is proud to be leading the way in advocating for a robust Environmental Goods Agreement (EGA) that eliminates tariffs on a wide range of environmental technologies. Currently, 17 WTO Members are participating in the EGA negotiations, which account for nearly 88 percent of global trade in environmental goods. While all the major global traders in environmental technologies are already participating in the negotiations, we expect that other Members that share our ambition will join the negotiations as well. We expect to use a “critical mass” model under which participants will agree that the agreement will enter into force once a “critical mass” of Members have ratified the EGA.

5)

Q: Amb. Froman, your colleagues at the Federal Reserve who are implementing the Volcker Rule have thus far been appropriately mindful of the international trade obligations of the United States, in particular NAFTA. How is your office working with the Treasury and Federal Reserve to make sure they are aware of U.S. NAFTA obligations?

A: We work closely with other U.S. government agencies regarding issues relevant to their work. Treasury co-leads, with USTR, our financial services negotiations and the monitoring of financial services obligations under our trade agreements, and leads the U.S. delegation in meetings of the NAFTA Financial Services Committee (in which the Federal Reserve and certain other regulators also participate). Treasury consults and interacts with the Federal Reserve and other financial regulators on a regular basis regarding the negotiation and implementation of the banking and other, non-insurance financial services provisions of our agreements.

Questions from Rep. Young:

1)

Q: I remain particularly concerned about the unfair trade practices in Indonesia that are hurting domestic information and communications technology (ICT) companies. Indonesia constitutes a major market and huge opportunity for this sector, with the world's 4th largest population and a 5.3 percent GDP growth rate. Yet the Indonesian government is blatantly maintaining a highly burdensome, non-automatic import licensing regime and onerous local content requirements that must be satisfied by American ICT products such as mobile devices in order to be sold in the Indonesia market. These measures are contrary to the international trade rules and significantly impede the market access of one of this globally-competitive industry. These market access barriers are listed in USTR's Section 1377 Review on Compliance with Telecommunications Trade Agreements and National Trade Estimate Report on Foreign Trade Barriers. I am aware that you have personally communicated concerns to your Indonesian counterparts, but could you please explain what else you plan to do to change the trajectory of Indonesian protectionism? The USG must not allow U.S. companies to be pushed out of the Indonesian market by unfair trade practices, and it must not suggest to other countries that such egregiously unfair trade practices will go unchallenged.

A: Burdensome import licensing and localization requirements can adversely impact U.S. interests. For example, in recent years, Indonesia has put in place localization requirements to compel the development of certain areas of its domestic IT industry. We have raised concerns with these policies both in the WTO and bilaterally, including in high-level meetings with the new administration in Indonesia, and are also working with other WTO members to press Indonesia to address these concerns.

2)

Q: The West Coast Port slowdown significantly hampered domestic industry and their ability to export goods. The slowdown had far reaching implications for employees of retailers, processors, the transportation sector and for farmers, ranchers, & consumers, including many stakeholders in Indiana's 9th District. The ramifications of this labor dispute will continue to detrimentally impact U.S. consumers and businesses alike for an extended period of time. Can you please elaborate how this Administration will utilize the experiences of this dispute settlement process to ensure that future disagreements are prevented from reaching a similar elongated impasse?

A: Facilitating the resolution of this dispute was a priority for the Administration because successful resolution of the negotiations was critical to both the ports – the employers, workers, and communities – and U.S. exporters, who depend on the smooth functioning of the ports to reach important export markets. Senior Administration officials were in touch with both parties from the very beginning of the negotiations and over the ensuing months. Following the joint request for the assistance of the Federal Mediation and Conciliation Service in January (by the International Longshore and Warehouse Union and the Pacific Maritime Association, President Obama directed Secretary of Labor Tom Perez to travel to California where he successfully worked with the parties to resolve their differences.

Questions from Rep. Renacci:

1)

Q: If China improved its IPR protection to the same level as we afford in the United States, U.S. exports to China would increase by \$21.4 billion, sales by U.S. companies in China would increase by \$87.8 billion, and 2.1 million jobs would be created in the United States. What is the Administration doing to address the theft of our intellectual property by China? Are there additional tools that you need?

A: Data show increasing U.S. sales to China and higher licensing revenues flowing from China to the United States, but more needs to be done to better protect and enforce IP rights in China. Through the Joint Commission on Commerce and Trade and the Strategic and Economic Dialogue, the Administration presses China on a range of IP issues, from trademarks and geographical indications, to copyrights, trade secrets and patents, and pernicious technology localization pressures. We engage China in technology and other issues via the U.S.-China Innovation Dialogue. We employ our Special 301 authority to identify key concerns and provide China with an annual IP Report Card. Our yearly Notorious Market Report features various markets in China. We also use multilateral and plurilateral fora, including the OECD, APEC, and WIPO, to address problems related to China IP protection and enforcement. In addition to these established mechanisms, we also engage in multiple ad hoc bilateral engagements in order to address new and evolving issues as they arise.

2)

Q: The U.S. Department of Defense and U.S. Department of Energy have identified several critical minerals whose availability is restricted but which provide essential functionality for defense systems and renewable energy production, respectively. Likewise, the European Commission has identified 20 substances it considers to be in short supply and essential for the European economy. The metal beryllium is an example, which DoD has designated as the only critical and strategic material for national security, and the EC has recognized as critical. Our European trading partners are proposing workplace exposure and REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) regulations that will restrict the use of beryllium and other critical minerals, essentially creating non-tariff trade barriers for U.S. exports to Europe. It is my understanding support for either of these restrictive regulatory policies is not uniform within EU Member States or Brussels. Have you or your office objected to these trade restrictions on U.S. critical minerals? What is USTR doing on a bilateral basis to oppose these proposed regulations before they become legal requirements?

A: U.S. exporters have expressed concern about a number of issues related to the treatment of beryllium within the European Union. The Administration is engaged with stakeholders on this issue and is carefully examining it. The U.S. Government has urged the European Commission and individual Member States to ensure transparency in its process, including by providing opportunities for meaningful input by stakeholders. We have also stressed the importance of taking a science-based approach.

Questions from Rep. Holding:

1)

Q: All prior US trade agreements to the TPP have allowed apparel made in the U.S. that used a global “gimped” yarn to maintain its benefits under the FTA. We have companies making apparel in the United States today, in North Carolina, in Arkansas, in Alabama,

that incorporate global gimped yarns. Is USTR seeking to negotiate a rule of origin for all apparel products that will allow the use of global gimped yarns (yarns in HTS chapter 56)?

A: We are negotiating a yarn-forward rule of origin for textile and apparel products in TPP with appropriate flexibility in cases where yarns and fabrics are not available in commercial quantities in the TPP region. We believe this approach will help to achieve our objective of encouraging production and trade within the free trade area while also expanding export opportunities for yarn fabric among the TPP countries.

2)

Q: In the past, the Administration and USTR have proposed including language in TPP that would expressly recognize that countries have the right to regulate tobacco in order to protect the public health. Previous reporting has also indicated that USTR has sought, in the past, language that would carve out tobacco from the regulatory transparency and due process provisions in TPP. Both of the proposals were met with bipartisan opposition in Congress. It is my understanding from conversations with you that the Administration is currently considering tobacco-specific language in TPP. Can you provide me an update on the status of any such proposals in the TPP negotiations?

A: The Administration is committed to an approach in TPP that protects the ability of the United States and other TPP countries to implement public health policies while simultaneously protecting and expanding opportunities for agricultural exporters. There is a wide range of views among the countries engaged in the negotiations about how best to accomplish this goal, and we will continue to consult with stakeholders and Members of Congress as we work to seek consensus on this issue.

3)

Q: Strong intellectual property protections are essential to the success of the U.S. and EU economies. In the United States alone, intellectual property-intensive industries account for over 50 million jobs, nearly \$6 trillion in output, and \$1 trillion in exports. What barriers for IPR-intensive trade in goods and services do U.S. companies face in the EU?

A: Both the United States and EU already have strong intellectual property (IP) rights protection and enforcement, as well as a successful track record of joint coordination. We are engaging extensively with a wide-array of U.S. stakeholders to identify IP-related concerns in Europe. Where specific IP challenges arise in the EU, we are reviewing those closely and consulting broadly on possible approaches.

4)

Q: In what areas is there potential for greater convergence between U.S. and EU IPR practices, and how can the United States and EU enshrine high levels of protection in those areas in which harmonization is not pursued? I'd be interested in hearing not only about patents, trademarks, and copyrights, but also about protection of trade secrets from disclosure by governments.

A: In T-TIP, both the United States and the EU share a strong commitment to intellectual property (IP) rights protection and enforcement. This includes developing targeted and value-added mechanisms to streamline the processes of applying for and protecting IP, so that these

processes are more efficient, easy to use, and cost-effective for stakeholders, whether they be companies, small businesses, universities, single inventors and creators, or others. T-TIP offers an opportunity to enhance the transatlantic environment for innovation and creativity. We are evaluating how our respective IP systems work and what we can do to ensure appropriate levels of protection.

Questions from Rep. Sanchez:

1)

Q: Along with many of my colleagues on this Committee and throughout the House, we have called on USTR and the White House to seek strong IP protections that are truly representative of a 21st century agreement for all U.S. industries. Given the breadth of this agreement, we cannot afford to get the substance of this agreement wrong, especially as we're dealing with countries that often have a poor IP environment, such as Canada. As it appears we're in the final throes of the negotiations, I'd like an update on how this process is evolving and how you intend to finalize a pact with strong and robust IP protection.

A: We are working in TPP to obtain strong standards of intellectual property rights protection and enforcement. To this end, we have been closely consulting with industry and other stakeholders, as well as with Congress.

2)

Q: You have frequently stated that the labor chapter of the TPP will include high labor standards. Will the TPP prohibit signatory countries from murdering, jailing, firing and disciplining its citizens who try to exercise these rights? How will you deal with countries such as Vietnam that will be out of compliance from day one?

A: Progress on labor rights in Vietnam is a key priority in our bilateral relationship. We have been consistent in our message to Vietnam that we cannot build the kind of strategic relationship both sides desire, including on economic and security issues, unless Vietnam does more to protect the labor and human rights of its citizens.

Vietnam's inclusion in the TPP negotiations presents an unprecedented opportunity to raise standards in a range of areas, including by making historic progress on labor rights and working conditions. The provisions that the United States is seeking on labor in TPP include the key May 10 requirement for each TPP country to "adopt and maintain" in its laws and practice fundamental labor rights as stated in the International Labor Organization's 1998 Declaration on Fundamental Principles and Rights at Work, including freedom of association and the right to collective bargaining. We are also seeking provisions in TPP requiring these laws to be effectively enforced and making all the obligations of the TPP labor chapter subject to the dispute settlement mechanism that applies to the rest of TPP.

We are working closely with Vietnam and other TPP parties to ensure that they are prepared to live up to the high-standard, enforceable commitments of a final agreement. Under TPP, Vietnam would be expected to undertake significant reforms, particularly in the area of freedom of association, but also concerning forced labor, child labor, and employment discrimination. The U.S. government has engaged closely with Vietnam to discuss needed reforms and will closely monitor Vietnam's continued implementation of these reforms, including the ability of workers to exercise freedom of association, after the agreement is in place.

3)

Q: USTR and the ITC both play major roles in ensuring American employers are protected from foreign companies that unfairly infringe on American products under Section 337's patent program. It's my understanding the ITC has been wrestling with how to address the continued filing of complaints by patent assertion entities that have an immaterial impact on the trade balance of the US, but effectively create a trade barrier for US employers. These companies don't make, buy or sell any products. They use the ITC, which is a trade body, to force American companies to pay high licensing and settlement fees rather than risk shutting down major product lines. For example, a case filed in 2012 would have shut down the importation of most American cars. This seems like a perversion of the intent of the statute, which is to protect domestic industry from unfair trade practices. Do you believe patent assertion entities are the types of companies that Congress should be protecting as a matter of U.S. trade policy?

A: The ITC is an independent, quasi-judicial federal agency with broad investigative responsibilities on matters of trade. In addition to other statutory responsibilities, the ITC conducts investigations under Section 337 of the Tariff Act of 1930 involving imported articles that allegedly infringe intellectual property rights or other unfair acts or unfair methods of competition in the importation of articles into the United States. Although USTR has authority, delegated from the President, to review certain ITC section 337 determinations for policy reasons, USTR's delegated review authority does not extend to matters of ITC procedure. In respect to the referenced ITC efforts to address issues posed by patent assertion entities, it is USTR's understanding that the ITC has initiated a still-ongoing pilot study. We defer to the ITC for an assessment of its work on this issue.



[Submissions for the Record follow:]



we wear® jobs

**Statement by Juanita D. Duggan
President and CEO
American Apparel & Footwear Association
Before the House Ways and Means Committee
On The
2015 U.S. Trade Policy Agenda**

January 27, 2015

On behalf of the members of the American Apparel & Footwear Association (AAFA), and the four million U.S. workers our industry employs, we welcome this hearing and the opportunity to secure quick action on a number of pending trade measures.

Our members make and sell clothes and shoes around the world and in the United States. In order to reach our customers and do business, our products and inputs need to be able to cross those borders easily and seamlessly.

Earlier this month, we submitted a letter to House Ways & Means Committee Chairman Paul Ryan (R-WI) and Senate Finance Committee Chairman Orrin Hatch (R-UT), urging immediate enactment of legislation to renew expired and expiring trade programs. The letter is attached for reference.

A robust trade agenda eliminates barriers that separate our members from their customers and from their suppliers. When we knock down these barriers, we create jobs, reduce costs, and generate consumer opportunities.

Below are some key statistics that highlight the importance of free and open trade for the U.S. apparel and footwear industry:

- 98 percent of U.S. footwear is made offshore;
- 97 percent of U.S. apparel is made offshore; and
- 95 percent of the people on the planet who wear clothes and shoes live offshore.

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In 2015, we urge Congress to take immediate action on a number of pending measures, including:

- Renewal and update of the Generalized System of Preferences (GSP) program;
- Renewal of the African Growth and Opportunity Act (AGOA);
- Renewal of the Nicaraguan Tariff Preference Level (TPL) program;
- Renewal of Trade Promotion Authority (TPA) to pave the way for conclusion of trade agreements being negotiated with trading partners in Europe and the Pacific Rim; and
- Renewal and restart of the expired Miscellaneous Tariff Bill (MTB) process.

Early, bipartisan action on these measures will support trade-based U.S. jobs, benefit U.S. consumers, and signal immediate re-engagement to our trading partners.

We thank you for the opportunity to submit our comments, and look forward to working with the Committee toward quick Congressional approval of these critical programs.



Statement for the Record
U.S. House Ways and Means Committee
Hearing titled "U.S. Trade Policy Agenda"

January 27, 2015

The American Council of Life Insurers (ACLI) is pleased to submit this statement for the hearing record expressing support of the life insurance industry for a robust US international trade agenda.

The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with approximately 300 member companies operating in the United States and abroad. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums. Our public website can be accessed at www.acli.com.

ACLI is a strong supporter of international trade liberalization, open markets and regional global efforts to remove unnecessary barriers for the efficient provision of insurance, reinsurance, and retirement security products. We thank the Chairman and Ranking member of the House Ways and Means Committee for holding this important hearing, and we support the Administration's robust trade agenda, which includes the Trans-Pacific Partnership (TPP), the Trade in Services Agreement (TISA) and the Trans-Atlantic Trade and Investment Partnership (TTIP) initiatives.

ACLI also supports passage of a modernized Trade Promotion Authority (TPA) for purposes of providing Congressional, and thus stakeholder, input into the negotiating process and to support conclusion and Congressional consideration of the aforementioned trade initiatives. TPA is critical to a seriously dedicated and effective trade agenda.

Trade issues presently of concern to the insurance industry include:

- Foreign equity caps - A threshold issue is the need for elimination of unjustifiable and anticompetitive foreign equity caps, which are particularly prevalent in Asia (China, India, Malaysia, Myanmar, Philippines, Thailand, Indonesia, etc.) and truly alter and restrict ACLI's member companies' ability to operate effectively and holistically overseas. We are optimistic that the cap will be raised in India from 26% to 49% as an incremental but important improvement.
- Limitations on the conduct of cross border reinsurance - reinsurance is a global risk transfer mechanism designed to diversify risk, reduce risk concentrations in local markets and provide additional capacity and coverage to local markets often against the occurrence of low frequency high intensity events. Therefore, the changes in Brazil and Argentina in 2012, India in 2013 and now Indonesia not only place constraints on reinsurers' business operations, but also risk pushing up prices, limiting capacity for local consumers and increasing local risk concentrations, and global fragmentation and stagnation.

- Restrictions on cross border data flows (forced localization) - ACLI believes that requirements that all data be maintained in a given jurisdiction should be prohibited. Foreign companies doing business in a foreign country should be permitted to transfer electronic information out of that country for processing offshore. Companies should be free to manage and maintain data from headquarters, through affiliates, through regional centers, and through third party vendors as long as the data protection requirements of the local jurisdiction are satisfied. Forced domestication of data processing in Korea is already the subject of dispute with several of its trade partners, and proposals in other countries would put many global companies in a conflict of laws predicament between their home country supervisor's requirement for comprehensive group risk management and reporting.
- Reversals of Private Account Pensions – ACLI supports the maintenance and expansion of the World Bank model of individually funded defined contribution pensions, managed by the private sector. We believe now more than ever that the twin pressures of increased longevity and lower fertility rates will only increase funding gaps for national governments in both developed and developing markets. While still relatively new in some markets (India 2013), these systems have substantially reduced underfunding of government liabilities and created deep and sustained markets for long term investment instruments.
- Other issues of strong interest include provisions supporting regulatory predictability and transparency, provisions addressing unfair competition from State-Owned Enterprises and clearly articulated and transparent investment protections.

We appreciate the Administration's dedicated work on the TPP, TISA and TTIP initiatives, as well as on issues of implementation and enforcement of a bilateral nature – such as the cross border data flows issues currently under review in KORUS, and stopping the implementation of mandatory reinsurance cessions to a new state owned reinsurer in Indonesia. We look forward to Congressional passage of TPA as soon as is practicable. ACLI believes that such efforts will result in an open, strong and sustainable global marketplace.

The insurance industry is not only a provider of financial security by indemnifying risks faced by individuals and business – such as sickness, loss of life, liability, and property damage, to name a few, but also one of the world's largest institutional investors. A strong global marketplace with clear, transparent and dependable trade rules is critical to the health of our industry and to global security.

We appreciate the opportunity to submit this statement for the record. If there are any questions please feel free to contact Maurice Perkins, Senior Vice President – Federal Relations (202.624.2137, mauriceperkins@aclli.com) or Dianne Sullivan, Vice President - Trade (202.624.2106, diannesullivan@aclli.com).

The Honorable James K Glassman
American Enterprise Institute
1150 17th St NW
Washington DC 20036
jglassman@aei.org

Ways and Means Committee
1102 Longworth House Office Building
Washington, D.C. 20515

February 9, 2015

Dear Members of the Committee:

As the Committee on Ways and Means examines key issues within the U.S. trade policy agenda during the 114th Congress, I would like to share the attached op-ed that I wrote for *Roll Call* recently. The piece outlines the importance of resolving the problem of Sovereign Patent Funds (SPFs) via the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP) – trade agreements that present historic opportunities to open up new markets and strengthen economic ties with important trading partners.

Already established in France, Korea, and China, SPFs are an increasingly important – and troubling – trade policy issue. SPFs are government-controlled entities that operate with the full authority and resources of national and local governments and distort markets by propping up home enterprises by threatening or pursuing intellectual property (IP) infringement litigation against foreign industrial rivals. Examples of these offenders include Intellectual Discovery (Korea), France Brevets (France), and the Chinese Government’s Ruichuan IPR Funds, which was established in the spring of 2014.

As my op-ed argues, the United States must be a leader in preventing foreign governments from channeling their financial and diplomatic clout into SPFs, thus risking harm to free and fair trade, innovation, and the well-being of consumers both here and abroad. In his remarks from January of this year, Committee Chairman Paul Ryan admirably outlined the mutual benefits of a strong free trade agenda for America and its economic partners. SPFs threaten this mission by degrading established trade relationships through *de facto* subsidization of private home companies and through threatened or realized retribution against competitive foreign companies. In this environment, U.S. businesses face an unnecessary threat, especially since the U.S. Government has prudently chosen not to go down the path of creating an SPF of its own.

For this reason, Congress must ensure that both TTIP and TPP prevent SPFs from becoming viable instruments of 21st Century international trade policy. In addition, the G20, with Congressional support, should urge the World Trade Organization (WTO) to prevent member nations from hosting SPFs, on the grounds that these funds’ existence and operations undermine the global economic growth and stability that the G20 advocates. SPFs also violate the spirit, and perhaps the letter, of the Agreement on Subsidies and Countervailing Measures, which prevents members of the WTO from using government power to secure advantages against foreign competitors.

Ways and Means is committed to supporting free trade, fair competition and innovation. SPFs are on the rise and should be addressed as part of the Committee's agenda to prevent more serious problems from arising in the future.

Thank you for your work on this important issue and for considering my views.

Sincerely,

Ambassador James K. Glassman
Visiting Fellow, American Enterprise Institute
Member, Investment Advisory Committee, Securities and Exchange Commission
Former U.S. Under Secretary of State for Public Diplomacy and Public Affairs

The views in this letter are my own and do not represent those of any organization with which I am affiliated.

ROLL CALL

Will Patent Reform Tackle Government Trolls? | Commentary

Roll Call, James K. Glassman, November 30, 2015

With the election victory by the Republicans, Congress at last seems ready to tackle two issues on which the parties' differences are narrow: trade and intellectual property.

There's already a broad consensus that the U.S. must do more to open markets in Europe and Asia and that our patent system is badly broken.

These two issues are linked. The goal of reform for each is economic growth, driven in large measure by technological innovation, America's comparative advantage. But Europeans and Asians are well aware of the U.S. edge, and they are working hard to blunt it. One effective means affects both trade and IP policy. It's the sovereign patent fund, or SPF.

SPFs have become tools to deter foreign competition in countries where such practices exist, such as China, Japan, Korea and France. They are, in effect, government-sponsored patent trolls. Like private-sector trolls, or patent-assertion entities, they exist not to produce anything themselves but to own patents, license them and threaten or file litigation against what they consider to be infringers.

Certainly, there's a good case to be made for private patent-assertion firms, such as Intellectual Ventures, founded in 2000 by Nathan Myhrvold. He argues persuasively that "our goal is to grow a more efficient invention economy that will energize technological progress, potentially changing the world for the better."

But SPFs are different. They are owned, or co-owned, by governments, and the unabashed goal of these funds is to protect and promote home-grown industries, not improve the global economy. "Some SPFs, like France Brevets, even admit to being retaliatory or discriminatory instruments against foreign actors regardless of whether the original claim is legitimate or not," concludes a recent report by the European Centre for International Political Economy.

France Brevets is a €100 million SPF owned jointly by the French government and Caisse des Depots, a private firm "under Parliament's supervision and guarantee." It's been aggressive in defending national interests, filing lawsuits last year against HTC America and LG Electronics. As a state-owned enterprise, SPFs can marshal government resources — including not just money but regulatory power, or the threat of it — against foreign firms.

Such behavior appears to be a violation of the spirit, and perhaps the letter, of the Agreement on Subsidies and Countervailing Measures, which prevents members of the World Trade Organization from using government power to secure advantages against foreign competitors. By marshaling state authority against innovators, they deter economic growth.

France Brevets, however, pales in comparison to China. Local and federal authorities are establishing patent pools "to defend domestic companies," the ECIPE report states. SPFs are becoming an important element of China's announced strategy of promoting "indigenous innovation." The ECIPE authors worry that SPFs "legitimize similar behavior by bigger economies like China that are actively pursuing industrial policy through . . . the establishment of their own SPFs."

Japan, an innovator in industrial policy if not necessarily in technology, established the Innovation Network of Japan in 2009 as a public-private partnership to promote home-grown industries. In July, the Network set up its own pool with plans to acquire and defend 5,000 patents to start.

These SPFs — still growing in Asia and Europe — are exercises in mercantilism in nations where growth and innovation is slowing. IP rights are valuable assets, and with the weight of government behind them, they can be mobilized into battle against foreign competition.

In the long run, protectionism is futile. Only innovation itself can bring economic rewards. But SPFs can do enormous damage, igniting retaliation, raising the costs of innovation and reducing the value that flows to consumers from new technology. The ECIPE study says it's a "lose-lose scenario."

Patent reform in the United States must address the SPF phenomenon, placing restrictions on the ability of funds sponsored by foreign governments to litigate unfairly against U.S. firms. Also, the Transatlantic Trade and Investment Partnership and the Trans-Pacific Partnership, both under negotiation, must prevent SPFs from becoming protectionist instruments with the power to corrupt the free-trade objectives of those agreements. And last, the G20 should assert its opposition to the very concept of SPFs with a consensus declaration that they should be outlawed by the WTO. The G20's goal is to promote global economic growth and stability. SPFs do the opposite.

Ambassador James K. Glassman, a visiting fellow at the American Enterprise Institute, served as undersecretary of State for public diplomacy and public affairs from 2008 through 2009. From 1987 to 1993, Glassman was part owner and editor of Roll Call.



Richard Chriss

Executive Director

The American Institute for International Steel

Submission for the Record

House Committee on Ways and Means

Hearing on the United States Trade Policy Agenda

January 27, 2015

Chairman Ryan, Ranking member Levin, Members of the House Committee on Ways and Means, I greatly appreciate this opportunity to submit these comments on the United States trade policy agenda on behalf of the 100-plus member companies of the American Institute for International Steel (AIIS), a 65-year-old, non-profit organization whose member companies—including a number of leading American ports, such as the great ports of Milwaukee, Houston, New Orleans, Tampa, and others—employ tens of thousands of Americans who work in virtually every element of the steel supply chain.

These hard-working men and women load steel on and off ships, handle and store it on our docks, transport it across oceans and waterways and in trucks and rail cars, manufacture it, sell it, trade it, and provide specialized logistics and customs-related services in support of these efforts.

The AIIS Trade Policy Priorities for 2015

The AIIS's trade policy priorities—full implementation of the WTO's Trade Facilitation Agreement (TFA), a successful conclusion of the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership negotiations (T-TIP), and a renewal of the President's Trade Promotion Authority—are all very much related to the AIIS's mission of support for free and responsible trade in steel, and the challenges and opportunities we face.

In 1950, the year the AIIS was created, the United States helped launch the third global round of trade negotiations conducted under the auspices of the newly created General Agreement on Tariffs and Trade (GATT), the so-called Torquay Round, which was concluded eight months later. The success of the Torquay Round, under which 1948 tariff levels were cut by 25%, meant that the GATT, although organized only as a temporary secretariat, was well on its way toward establishing the global economic architecture aimed at breaking down the destructive trade barriers and short-sighted, trade-restrictive policies that, in the view of the late New York Senator Daniel Patrick Moynihan, lengthened and deepened the Great Depression, and were among the leading causes of World War II.

Today, just as we did in 1950, the AIIS fully supports constructive, robust United States leadership on trade policy. We know it is necessary to achieving a more open global economy. And we deeply appreciate this Committee's indispensable role in advancing American leadership on trade.

The WTO Trade Facilitation Agreement

The December 2013 Trade Facilitation Agreement (TFA), the first successfully concluded agreement in the WTO's 20-year history, is a tremendously important achievement. The TFA is aimed at reducing trade transaction costs—moving goods around the world faster, with less cost, and with fewer administrative barriers—which saves real money. The Peterson Institute for International Economics notes (2013) that there is a substantial payoff as a result of reducing trade transaction costs: developed countries may see close to a \$1 trillion increase in two-way trade. As a result of the TFA, we will likely see significant efficiencies in integrated global steel supply chains that move intermediate inputs like steel.

According to a 2012 analysis reported by the Peterson Institute, intermediate goods account for about 60 percent of global commerce. Similarly, recent analytic work by the Organization for Economic Cooperation and Development (OECD) finds that generally, between 30 percent and 60 percent of G 20 country exports are comprised of imported inputs. Foreign inputs of steel are increasingly important to United States manufacturers, including U.S. domestic steel producers.

The Peterson Institute cites additional empirical analysis supporting the finding of a parallel correlation between improvements in trade facilitation and increased trade volumes. Increased trade translates directly into economic growth.

If reaching final agreement on a Trade Facilitation Agreement in the consensus-driven WTO was a major accomplishment, so too was overcoming subsequent unrelated objections to moving forward with the necessary technical work to insert the TFA into the WTO Agreement. While the most difficult part of this story is over, two-thirds of WTO members have not yet completed their domestic ratification process, so the TFA has not yet entered into force. We strongly urge the Committee to continue to monitor this work, and to closely monitor implementation once the Agreement finally does enter into force.

The Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership negotiations (T-TIP)

While preferential trade agreements have been in existence for decades, their number has rapidly increased in the last 25 years. In 1990, there were only 16 such agreements in force worldwide. Today, there are more than 200 such agreements in force, covering a substantial amount of global commerce. For the most part, the United States has played a relatively modest role in this rapid growth.

This imbalance is about to turn more in our favor if we see a successful conclusion to and implementation of the 12-member nation Trans-Pacific Partnership negotiations and the U.S.-EU Transatlantic Trade and Investment Partnership negotiations.

With their particular focus on regulatory matters and non-tariff trade barriers, these trade negotiations recognize that economic opportunity is not predestined.

A group of new rising economic powers (REPs), such as China, Brazil, India, Indonesia, Russia, and Turkey are becoming major economic actors in the global economy. As the Congressional Research Service has recently pointed out, these large economies have an increasingly bigger share of global trade flows, and are more vigorous United States trading partners. Their increasing role in trade means we have to be even more engaged than in the past.

We urge that the United States continue to press for the negotiations to retain their comprehensive focus and ambition. In particular, we believe it is essential that the T-TIP negotiations provide for the elimination of tariffs and non-tariff trade barriers impairing the efficiency and effectiveness of international steel supply chains and trade.

Renewing the President's Trade Promotion Authority

If we believe that American leadership in shaping international economic and trade policy is important—a proposition that legislative leaders and senior trade officials of both political parties have strongly supported for decades—then no Congressional initiative is more important this year than approving legislation to renew the President's Trade Promotion Authority (TPA).

I believe that one mistake that is often made in discussing TPA is in tending to see it primarily in terms of modifying the mechanics of Congressional procedure. Yes, TPA temporarily alters the Congressional procedure that is used in the consideration of trade agreements, and there is certainly a legitimate and important discussion to be had about the role of Congress in considering trade agreements. However, TPA is about much more than that.

I would like to suggest that TPA is about three things concerning the development of United States trade policy: cooperation, alliances, and opportunity.

With regard to cooperation, TPA is vital because it signals to the rest of the world a unity of purpose between the executive and legislative branches with respect to United States trade policy.

Historically, the President is the voice of the American people with respect to foreign policy, including international economic matters. But Constitutional authority to regulate commerce with foreign nations resides with Congress. This is why formalized Congressional–Presidential cooperation on trade that conveys a unity of purpose between these two separate but equal branches of government matters so much.

What does this mean in practical terms?

Many of our trading partners have a unitary form of government. Politicians from the majority party in parliament control and run the executive part of the government. Thus, in a parliamentary system, the legislative and executive elements of government all speak with one voice. In trade negotiations, parliamentary-based governments have an advantage--when they put a deal on the table, negotiators from other countries can have confidence that the deal they agreed to will be implemented as it is written.

This is not necessarily the case in the United States. Because we do not have a parliamentary system, Congress and the President often do not speak with one voice on trade issues. If the President fails to lead, or Congress demurs, the United States is at a major disadvantage when trade deals are being negotiated. Because the American economy is so dependent on two-way trade, ultimately it is the American people who would suffer the most, in terms of lost jobs, lower wages, or higher consumer prices if our negotiators were not able to achieve the best terms and market access at the negotiating table. And because it publicly unites Congress and the President in pursuit of a common set of negotiating objectives--negotiating objectives that are drafted by Congress--TPA cuts through all the confusion and speculation among our negotiating partners and provides clarity about Presidential intentions and Congressional support for trade negotiations.

Regarding alliances, I recall a story by former USTR Robert Zoellick a few months after he became America's chief trade negotiator. Ambassador Zoellick related a comment made to him by then-Congressman John Tanner (D-TN), a former Member of this Committee, and a former Chairman of its Subcommittee on Trade.

According to Ambassador Zoellick, Congressman Tanner told him that "America's place in the world is going to be determined by trade alliances in the next ten years in the way military alliances determined our place in the past."

I believe this is as true now, and perhaps more so, than when Congressman Tanner said it fourteen years ago.

Take a look at the current Trans-Pacific Partnership trade negotiations. A parallel set of negotiations, the Regional Comprehensive Economic Partnership (RCEP) negotiations, is

taking place in the exact same area, the dynamic Asian region. The United States is not a participant in the 16-nation RCEP talks, but China is, along with India, Japan, and South Korea.

If Congressman Tanner is correct, as I believe he is, and the economic alliances we are attempting to forge through the TPP negotiations will have a highly significant strategic value, why wouldn't we want United States negotiators to have all the leverage and support they may require to successfully conclude an ambitious, comprehensive regional trade agreement that will contribute to the efficient, effective operation of our global supply chains?

My final point with respect to TPA, about opportunity, is related to the first two.

We have to recognize that like much of life, opportunity at the negotiating table is not predictable or predetermined. As a trade negotiator, you never know when, or even if, the opportunity to achieve a significant beneficial outcome may occur. When it does, TPA gives us the leverage to convert an opportunity into a meaningful outcome.

As a former senior United States trade official, I had the privilege of representing the United States at the negotiating table. In one major negotiation, I made almost daily use of statutory TPA provisions. This first-hand experience taught me how valuable TPA is as a practical resource for our trade negotiators. When I was at the negotiating table, as a consequence of TPA's instructions, I knew in specific detail exactly what negotiating priorities Congress expected us to try to achieve, and how these priorities related to overall United States trade policy objectives. And I knew all of this before a single word of a completed deal was sent to Congress for its consideration.

I am confident that these three priorities--full implementation of the WTO's Trade Facilitation Agreement, a successful conclusion of the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership negotiations, and renewal of the President's Trade Promotion Authority--will help set the United States on a strong economic path. These are priorities that can and should gain support from both sides of the aisle. Senator Moynihan once said, in another context, "We have nothing to fear from world trade. We have gained from it." Senator Moynihan was right.

On behalf of the tens of thousands of men and women working for AIS companies whose livelihoods depend on trade and a vibrant steel supply chain, I deeply appreciate this Committee's long-standing commitment to United States leadership on trade.

**WRITTEN STATEMENT OF THE
AMERICAN WIRE PRODUCERS ASSOCIATION (AWPA)**

HOUSE WAYS AND MEANS COMMITTEE

HEARING on the "U.S. Trade Policy Agenda"

January 27, 2015

**American Wire Producers Association
P.O. Box 151387
Alexandria, VA 22314
703-299-4434
www.awpa.org**

INTRODUCTION

The American Wire Producers Association (AWPA) appreciates the opportunity to submit this written statement in connection with the Committee's hearing on the "U.S. Trade Policy Agenda." Specifically, our members would like to highlight the need to enact legislation, including the general provisions of the "Enforcing Orders and Reducing Customs Evasion (ENFORCE) Act of 2012" (as approved by the Senate Finance Committee in July 2012), as an essential trade enforcement tool. We remain firm in our view that the U.S. Government needs to be more proactive in ensuring that foreign producers and exporters and U.S. importers cease the illegal evasion of antidumping and countervailing duties by transshipping goods through third countries and illegally declaring the goods as a product of that third country; falsifying documents to misrepresent country of origin or misclassify the goods; and other "creative" means of evading the duties imposed on the goods by the U.S. Government.

American wire and wire products manufacturers have been seriously and adversely impacted by these trade-distorting practices, making it almost impossible for our industry to compete with unfairly-traded imports. The ENFORCE Act's provisions included in S. 662 will increase the transparency, responsiveness and effectiveness of Customs and Border Protection's (CBP) enforcement activities and thus, greatly improve the effectiveness of our trade laws and the relief that they are intended to provide to U.S. industries and American workers injured by unfairly-traded imports.

BACKGROUND

The AWPA is a trade association which represents companies that collectively produce more than 80% of all carbon, alloy and stainless steel wire and wire products in the United States. The AWPA's 82 member companies employ more than 20,000 workers in over 215 plants and facilities located in 35 states and 139 Congressional Districts.

American wire and wire products manufacturers are entrepreneurial and work hard to maintain their competitive market position despite heavy import pressure on their products. They pride themselves on their high productivity and constant reinvestment in the latest technology and equipment, keeping the American wire industry one of the most globally competitive segments of the steel industry. At the same time, they provide good-paying jobs to thousands of American workers.

CIRCUMVENTION AND EVASION OF DUTIES

Domestic producers and industries may petition the U.S. Commerce Department and the U.S. International Trade Commission (ITC) to investigate imports that are believed to be sold at less than fair value or "dumped" in antidumping duty (AD) investigations or which benefit from proscribed government subsidies in countervailing duty (CVD) investigations. AD/CVD investigations and orders are the primary means by which U.S. industries combat unfairly-traded imports. However, these remedies are only effective to the extent the orders are enforced and attempts to illegally evade the orders are stopped.

The Situation Today:

Foreign exporters and U.S. importers are increasingly using various schemes to evade payment of AD/CVD duties when goods are imported into the United States. Evasion often involves transshipping products through a third country, sometimes by repacking or

relabeling the product, and then using false documentation to declare that the third country is the country of origin. Importers also may deliberately misclassify imports, claiming that they are a different product or that they are excluded from the scope of the order. Other common tactics to avoid AD/CVD duties include subjecting the products to minor alterations or sending parts to a third country where insignificant completion or assembly operations are performed. Such products are then improperly identified as a product of the third country in blatant circumvention of the order.

These actions not only violate U.S. law and deprive American companies of the relief which the AD/CVD laws are intended to provide, **they also result in hundreds of millions of dollars that are lost annually to the U.S. Treasury in the form of uncollected duties from wire and wire products alone.** In addition, there are a host of other industries being impacted, including for example glycine, honey, diamond saw blades and tissue paper products. In these lean economic times, failure to collect these duties is unconscionable and unacceptable.

AWPA Position:

A number of AWPA member companies have successfully obtained AD and CVD orders against imported wire products that were found to be sold at dumped prices or unfairly subsidized by foreign governments. These companies have experienced firsthand the effects of the illegal evasion schemes used by foreign producers and U.S. importers to evade the payment of lawfully-owed duties. These illegal schemes have caused further injury to these companies and caused the loss of more American jobs.

The AWPA fully supports the enactment of the process included within the ENFORCE Act. This legislation establishes a process for CBP to investigate claims that AD/CVD orders are being evaded:

- Domestic producers can formally petition CBP to investigate suspected evasion.
- Once an investigation is initiated, CBP must make both a preliminary and a final determination as to whether an import should have been correctly entered as subject to the AD or CVD order.

CBP is directed to focus on the correct application of duties, regardless of intent.

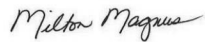
(However, nothing within the bill hinders CBP's ability or discretion to use its full authority and enforcement tools, including collaboration with Immigration and Customs Enforcement (ICE), to pursue additional criminal charges when an importer's intent is involved.)

- CBP is required to act and publicly report on its findings within set timeframes.
- The bill prescribes enforcement and remedial measures for each determination, and specifically instructs CBP to use all its existing tools to enforce the U.S. customs and trade remedy laws.

The legislation does NOT give CBP the authority to expand the existing scope of covered merchandise or expand CBP's existing authority to investigate goods subject to AD/CVD orders.

We look forward to working with the Members and staff of the Ways and Means Committee to move this critical bill forward. In these challenging economic times, we are not asking for special treatment, just for the effective enforcement of our trade laws (including AD and CVD orders) and the opportunity to compete fairly with our international trading partners.

Sincerely,

A handwritten signature in cursive script that reads "Milton Magnus".

Milton Magnus
President
American Wire Producers Association (AWPA)

Brandon Baum
UC Hastings
200 McAllister Street
San Francisco, CA 94102



February 9, 2015

Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

To the House Ways and Means Committee:

I'm pleased to see the House Ways and Means Committee taking steps forward to approve Trade Promotion Authority (TPA). This is the first real action supporting free trade agreements in years. I want to make sure the Members of Congress who are voting on TPA understand the importance of international trade to the high technology industry.

As an academic focused on intellectual property, I understand the value that a strong IPR policy provides for U.S. companies. To ensure that the U.S. continues its success as we move forward with the Trans-Pacific Partnership Agreement and the Transatlantic Trade and Investment Partnership Agreement, it is vital that we promote strong foreign protection for American IPR. We need to be at the negotiating table to exert our influence in that regard. If we aren't, we are leaving IPR in the hands of others.

I hope you and your committee will support TPA and international trade agreements that protect American IPR.

Thank you for your consideration.

Brandon Baum
Adjunct Professor of Law

U.S. Trade Policy Agenda
U.S. House Committee on Ways and Means
Tuesday, January 27, 2015

Statement for the record on behalf of:

Coalition for GSP
1001 Connecticut Ave, NW Suite 1110
Washington, DC 20036
202-347-1085

The Coalition for GSP welcomes the opportunity to submit the following statement for the “U.S. Trade Policy Agenda” hearing record. We are particularly happy to echo the testimony of U.S. Trade Representative Michael Froman, who stated “the Administration urges Congress to expeditiously renew authorization of the GSP program.” Like Ambassador Froman, the Coalition for GSP “stands ready to work with you to that end.”

The Coalition for GSP is a group of American companies and trade associations organized to educate policy makers and others about the important benefits to American companies, workers, and consumers of the Generalized System of Preferences (GSP) program. Its members range from small, family-owned businesses to Fortune 500 corporations and operate in all 50 states, the District of Columbia, and Puerto Rico.

Implemented in 1976, the Generalized System of Preferences (GSP) is a special trade program that eliminates U.S. import duties on certain products from about 125 developing countries. Over time, American companies have come to rely on the GSP program to lower costs for inputs needed to produce goods in the United States and finished products for American families. Lower costs spur demand and allow companies to create good-paying American jobs.

However, GSP expired on July 31, 2013 and Congress has not yet passed legislation to renew it. As a result, American companies have paid nearly \$2 million a day – and more than \$1 billion to date – in higher taxes while awaiting congressional reauthorization of the GSP program. The mounting costs and uncertainty surrounding when GSP might be renewed have had a chilling effect on companies’ ability to grow and compete in the competitive global marketplace.

American companies are impacted in a number of ways – sales fall if companies try to raise prices to compensate for the higher taxes, while margins are squeezed if they do not. Some companies with locked-in, long-term contracts actually lost money on every sale because of the imposition of new import taxes. All aspects of GSP importers’ operations feel the effects of this negative business environment.

The Coalition for GSP surveyed hundreds of U.S. GSP program users in 2014 and found that:

- **44% of companies have delayed planned hires.** For example, Kona Bicycle in Washington has been unable to hire new R&D and product development personnel, while Varaluz in Nevada and McGuire Manufacturing in Connecticut cannot afford to replace workers that have left voluntarily because of higher costs resulting from GSP expiration.
- **40% of companies have delayed or canceled job-creating investments.** B&C Technologies bought a facility to begin manufacturing in Florida by April 2015, but it cannot afford the necessary building upgrades to create those American manufacturing jobs as planned because of higher costs imposed by GSP expiration.
- **22% of companies have cut employee wages and benefits.** The cost of import duties has cut into the monies available to Stackhouse Athletic in Oregon to pay for health care, forcing the company to cut health care benefits for its nine workers.
- **13% of companies have laid off workers.** Matrix Metals laid off 75 workers at facilities in Iowa and Texas, while Vispak LLC in Minnesota is going out of business completely because higher production costs resulting from GSP expiration have made the companies uncompetitive.

The full report, which includes many other company-specific examples, can be downloaded at <http://bit.ly/GSP1Year>.

Congress can stop this bleeding, and quickly, by passing legislation that provides for an immediate, retroactive GSP reauthorization. Renewal has bipartisan support in both the House and the Senate. Renewing the GSP program is “low-hanging fruit” for the 2015 trade agenda. It should be a priority because it would have an immediate positive impact on U.S. jobs and competitiveness.

More than 660 American companies and associations have joined the Coalition for GSP’s call for Congress to do just that. The ever-growing list of organizations can be viewed at <http://bit.ly/GSPsupporters>. Nearly three dozen of them have provided brief statements (below, grouped by state and congressional district) for this submission on the negative job impacts of GSP expiration and/or the potential jobs benefits of a retroactive renewal.

If you have further questions about the impacts of GSP expiration on American companies, or would like to speak with any of the companies that provided statements below, please contact Daniel Anthony at the Coalition for GSP at Anthony@tradepartnership.com or 202-347-1085.

The Coalition for GSP looks forward to working with the Ways and Means Committee leadership on a bipartisan basis to pass an immediate, retroactive GSP renewal.

Peggy Altwater, Owner of Peggy V Designs in Petaluma, California's 2nd District: My business is a sole proprietorship. My sales have declined because I have needed to raise my prices on my product that no longer has GSP status. My job is in dire straits at this time because of price increases so I am asking you to please renew the GSP.

William Rebich, Owner of Pegasus Imports in Santa Rosa, California's 5th District: Failure to new GSP has resulted in us being unable to hire new a new shipping and receiving person and has created mounting debt with declining sales. It is creating a condition where business expansion is almost impossible.

Zack Stenger, Owner of Blackbeam LLC in San Francisco, California's 11th District: The GSP renewal would allow us to hire three sales and office-related employees for our growing small business.

Bruce Marlin, Purchasing Manager at Circa Corporation in San Francisco, California's 12th District: As a rare, surviving U.S. manufacturer of leather goods, it is essential to us that GSP be renewed. Our competitors manufacture primarily in China and India, and we need as level a playing field as possible to remain viable as a U.S. domestic manufacturer.

Shaun Shroff, Vice President of DuraBrake Co. in Santa Clara, California's 17th District: We would be able to reduce dependence on production in China and would be able to increase business on the East Coast. We would be able to hire two sales people on the East Coast as pricing would be competitive.

Jeni Tjoeng, Import Manager at Shamrock Manufacturing Co. in Chino, California's 35th District: With the delayed renewal of GSP, we have seen the reduction of our sales in the past year because we have come uncompetitive. Instead of expanding our business, we are struggling to stay afloat.

Jeffrey Tunstall, Vice President at Port Plastics in Chino Hills, California's 39th District: Our company imports a substantial amount of materials from qualified GSP countries. Our total sales were down 7% in 2014 while the economy grew an estimated 2.4%. We believe the downturn in our business is solely due to the higher costs of our products as a result of the GSP program not being renewed. This downturn in our business has resulted in our being forced to reduce a number of employees.

William Dull, President of Triad Magnetics in Perris, California's 41st District: Much of our industry produces in China.[With a GSP renewal], we could easily double our business - hire more workers and have the financial strength to invest in higher technology manufacturing here in California.

Fred Cohen, Owner of Omicron Granite & Supplies in Pompano Beach, Florida's 21st District:

The failure to renew the GSP has cost my company over \$100,000 per year in additional taxes, which has kept me from hiring at least two more workers. Please renew the GSP and make it retroactive.

Peter Allen, President of Royal Tropics, Inc. in McCall, Idaho's 1st District: The GSP expiration and the uncertain return has caused my small company a hardship in the sense that the extra funds we have paid in duties has caused us to hold back on some planned expansion of our business. With the needed expansion we would be able to hire additional employees as well as fund some additional equipment. The GSP program is very important for small business in the U.S.

Kelly Weinberger, Owner at WorldFinds Fair Trade in Westmont, Illinois's 6th District: Our fair trade organization has been badly hurt by the non-renewal of GSP. A retroactive renewal would help create jobs in our US office, as well as to provide more work to our low-income women artisan groups in the developing world.

Brendan Naulty, Senior Vice President at Ajinomoto North America Inc in Itasca, Illinois' 8th District: The impact of non-renewal of GSP impact for 2014 on Ajinomoto North America has been \$690,678. This has put this business segment into a red figure for 2014. Therefore we could not expand our workforce or reinvest profits into other businesses. We would greatly welcome retroactive renewal, which would enable us to initiate capital projects that have been postponed due to availability of funds and uncertainty about the stability of this business segment.

Jim Angers, Partner at K2 Coolers LLC in New Iberia, Louisiana's 3rd District: We paid \$79,000 in duties in 2014. We need to hire an additional warehouse worker and the duties are impacting our margins to the point of causing us to delay hiring.

Lisa Johnson, Vice President at COLE-TUVE, Inc. in White Marsh, Maryland's 2nd District: We sorely need renewal of the GSP so that our company has the chance to get back on track. Among other penalizing set-backs (such as limiting labor), we have not been able to raise our prices to account for this increase as we could not do that and stay competitive. Our capital is just about gone, and getting the GSP retroactively approved will allow us to reinvest resources back in to the business, to get beyond playing catch up and grow along with the prospects of a growing manufacturing sector.

Damian Jones, Designer & Founder at Aid Through Trade in Annapolis, Maryland's 3rd District: Our 22 year old fair trade company has depended on GSP since our inception. The current lapse and uncertainty makes it hard for me to have the confidence I need to invest and hire. Retroactive GSP renewal would give me cash and confidence to hire and invest.

Richard Harris, President of Accessories Unlimited in North Harwich, Massachusetts' 9th

District: Since the cancellation of GSP we have had our fixed margins reduced between 5 and 6 %. We cannot raise our prices as they are set by our suppliers. We can cut corners where we can. We need employees on a full time basis, but have had to hire them on a part time basis and not hire the type of personnel we need to improve our business.

Steve Hill, Vice President at Polysource in Pleasant Hill, Missouri's 4th **District:** The most damaging result of nonrenewal is the impact it has on U.S. manufacturers of global consumer goods. GSP allows U.S. manufacturers to take advantage of certain raw materials throughout the world that allows them to sell worldwide resulting in jobs and tax revenue. The impact on Polysource has limited our ability to compete and hire. We could easily justify the inability to hire for two new professional positions with full benefits if we had not experienced a loss of over \$500k in the last 18 months.

Janis P. Rich-Gutierrez, Compliance Officer at Kalustyan Corporation in Union, New Jersey's 7th

District: We import materials from various countries around the world and have approximately 80 hard-working employees that further finish the product here. We value our employees and wish to keep them employed. However, due to GSP cancellation and the uncertainty of it being reinstated retroactively, we can purchase finished product for less money overall.

Robert J. Murray, Operations Manager at General Carbon Corporation in Paterson, New Jersey's 9th

District: The lack of renewal of the GSP has caused General Carbon to limit its search for new hires. If the GSP was renewed and the duties refunded we would be in a much better position concerning new hires and improving the overall future of General Carbon. It may also lead us to make capital improvements to our facilities that we have been delaying to make pending the GSP renewal.

Gert van Manen, President of iTi Tropicals Inc. in Lawrenceville, New Jersey's 12th

District: We have paid \$800,000 in duties since GSP expired and we are not charging our customers for this for various reasons, mainly we believe that it will be reinstated retroactively as it always has been. If this is not the case it will have serious consequences for our company. We are a small business with 25 people on payroll in business for 26 years.

Benny Nabavian, President of EORC in Farmingdale, New York's 2nd **District:** We are a very small company and the GSP expiration is really hurting our cash flow and income. Every penny counts in our business, especially in the current economic conditions. It is a question of survival for us.

Joseph Kay, CEO of Biltmore Corporation in Manhasset, New York's 3rd **District:** We have lost business to foreign companies because we are unable to manufacture goods in the U.S.

Gabriel Khezrie, President of Fremada Gold Inc. in New York, New York's 12th District: Due to the softness of the jewelry business in general, there has been tremendous pushback by our customers. They will not accept the additional price increases to accommodate the 5.71% tariffs that were never part of our pricing equation. This has led to less billings at our company. Accordingly we have had to let some staff go.

Benjamin Justman, Royal Chain in New York, New York's 12th District: Restoration of GSP will have a huge positive effect on our company. We will be able to reinstate some of the business lost to competition. Some customers have stuck with us based on our promise that we will refund the duty paid if GSP is renewed retroactively. Going forward, we will be able to rehire personnel that were laid off, as well as expand our business.

Nenad Milinkovic, Vice President at Vail International Corp. in New York, New York's 12th District: Lack of GSP Renewal has precluded our company from hiring additional personnel, and we are now at a point facing layoffs for some of our workforce. We have been trying to hang in there in anticipation of the renewal, but this prolonged expiration has now placed a very serious financial strain on our business.

Donna O'Sullivan, U.S. Sales and Customer Service Manager at Janice Girardi Designs in Stone Ridge, New York's 19th District: The non-renewal of the GSP has cost our company over \$90,000. Unfortunately, we're not able to raise our prices to compensate for the duties we're now paying because it's already challenging to stay competitive in this economy. We've had to lay off a few people because of this and it's vital for us to have the GSP renewed.

Scott Ferguson, President of CCS USA, Inc. in Hickory, North Carolina's 5th District: To date, the expiration of GSP has cost my company over \$125,000. It has cost jobs, investment and has crippled us competitively with lost business. Please retroactively renew this critical trade program!

Fred Starr, President of Thompson Traders in Greensboro, North Carolina's 6th District: Thompson Traders is a start-up company, and after seven years of trial and tribulation, made it to a break-even in 2013. Then the GSP was allowed to expire, and due to our financial position and our inability to pass this charge onto our customers, we had to slow down growth, including hiring. We would be a different company today without this totally unanticipated tariff.

We've reduced our payroll by eight people, a 40% reduction and will not be adding people, until we have a better government environment, including the renewing of GSP. The renewal of GSP will allow us to grow, creating new job opportunities. Moreover, since we share profits with our employees, each job will become a better paying job whether salaried or hourly.

Most important, the return of our tariff payments, paid out since August 2013, will help Thompson Traders enter new domestic and foreign markets and build a much larger company, including domestic manufacturing investment - more jobs and better-paying jobs.

Greg H. Kirkland, President of Kirkland Associates, Ltd. in McMinnville, Oregon's 1st District: In 2014 our small import company paid over \$50,000 in import duty charges on products imported from India. We currently desperately need to hire two additional employees. However, we simply can't afford to do that as the company profits will not support two new employees and continued import duty charges. If we were to see GSP passed, especially retroactively, we would immediately move toward the new employee additions. I know we are not a big deal to Washington, D.C. but this move would really help our company now and in the future.

Burak Cezik, Account Manager at Kervan USA LLC in Bethlehem, Pennsylvania's 15th District: We ended up with a net loss in fiscal year 2014 due to GSP expiration. Accordingly, we are working on ways to cut jobs and holding off on our strategy of hiring regional sales managers. We would definitely hire new positions in the case of retroactive GSP renewal.

Allan Zadik, Owner of FAZ Marketing in Houston, Texas' 7th District: I had to close the import business as my selling price became uncompetitive. I did have to let go of two people as there was no way to keep sales up. I'm currently not importing products where GSP has affected my business.

Cathy Korndorffer, Chief Operating Officer at Chantal Cookware Corp in Houston, Texas' 18th District: We are a small, privately owned company in the housewares industry. We struggle every year to compete on a global scale with huge conglomerates and every penny that our product cost increases counts. We have not laid anyone off because of GSP non-renewal, but we cannot pass this along to our retailers. What happens? Our employees do not get raises. There is no money going into their 401K plan. There is no Christmas bonus. There is a reduction in our medical insurance contribution from Chantal. Is it painful? YES!

Amy Campbell, Founder of Brilliant Imports in Austin, Texas' 21st District: Brilliant Imports has experienced, what is significant to a budding business, cash outflow due to GSP expiration...for a company that is less than three years old, this has been a hard blow to handle. In addition, there is extreme uncertainty on GSP renewal going forward therefore I'm keeping 'predictable' cash outflows as tight as possible.

As the Founder and Owner, I've let go of my PR firm, my Virtual Assistant (VA) as well as cut back on advertising (these are a few examples). There is no projection to hire any help going forward. Retroactive GSP renewal would be a nice boost to keep a relatively new business like Brilliant Imports afloat as well as lead to a hire of a VA and placement of Brilliant Imports in a fulfillment center...both of these are detrimental to my company's success.

Wajih Rekik, President of CHO America in Baytown, Texas' 36th District: Importing olive oil from Tunisia and bringing a Tunisian olive oil to the U.S. consumer is a big challenge that was supported by the GSP advantage. Since GSP expiration, we froze hiring, gave up a plan to expand into a new warehouse. A retroactive renewal will be vital to us and will be translated into expansion of warehouse and at least three new hires.

Abe Shaheen, Owner of Shaheen Import Export Co. in Virginia Beach, Virginia's 2nd District:

The GSP expiration and uncertainty about renewal has resulted in laying off three of workers at our company, and not being able to hire new employees. Retroactive GSP renewal would lead to more jobs at our company, and will enable us to expand our business.

Daniel Hamilton, President of Vortex Optics in Middleton, Wisconsin's 2nd District: If GSP is renewed with tariffs refunded, we could purchase new equipment needed for our US manufacturing plans, move forward on building plans for expansion, and hire additional employees. All of the money would go right back into the local economy.



February 9, 2015

Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

To the House Ways and Means Committee:

I'm pleased to see the House Ways and Means Committee taking steps to approve Trade Promotion Authority (TPA) legislation. I am encouraged that Congress is taking up this important legislative action in support of fair and equitable free trade agreements.

My letter to the Committee and Members of Congress, who are voting on TPA, is intended to convey the importance of effective international trade policy to my small business's bottom line.

As a 100% Disabled Marine Corps Veteran of the Vietnam Conflict and owner of a small business currently exporting products and services to Brazil, the Philippines, and India, I depend heavily on the adequacy of sound and effective U.S. Trade Policy. I export Renewable Energy technology and sustainable environmental solutions to emerging markets. The continuing expansion of my international sales base is vital for the survival of my business.

By growing my export business through the help of the Department of Commerce, USTDA and ExIm Bank, I have been able to create or sustain hundreds of good paying American manufacturing jobs over the past 4 years.

I hope your Committee and all Members of Congress will support the critical need for new, fair and equitable international trade agreements.

Thank you for your consideration.

Sincerely,

Steven Wilburn

CEO, FirmGreen Inc.

Printed on recycled paper

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Statement of Peter K. Tompa
On Behalf of the International Association of Professional Numismatists¹
January 27, 2015

Thank you for the opportunity to discuss this topic of great importance to the 7-10 million coin collectors residing in the United States and the thousands of small businesses that trade in historical coins both here and abroad. We respectfully request Congress amend the Convention on Cultural Property Implementation Act (CPIA) (19 U.S.C. §§ 2601 *et seq.*) to ensure coin collectors can continue to import historical coins of a sort widely and legally collected and sold abroad. During the last Congress, our efforts gained bipartisan support. Coin collecting brings people of diverse backgrounds together and fosters the appreciation of other cultures. It is something that should be promoted, not hampered, by overzealous regulators with an equally over-expansive view of their own statutory authority.

Background: The CPIA contains significant procedural and substantive constraints on the executive authority to impose import restrictions on cultural goods. Restrictions may only be applied to archaeological artifacts of “cultural significance” “first discovered within” and “subject to the export control” of a specific 1970 UNESCO Convention State Party. They must be part of a “concerted international response” of other market nations, and can only be applied after less onerous “self-help” measures are tried. The Cultural Property Advisory Committee (CPAC) is to provide the executive with useful guidance about this process.

The CPIA’s legislative history indicates that Mark Feldman, the State Department’s Deputy Legal Adviser, represented to this Committee that “this legislation [what became the CPIA] and the ratification of the [1970 UNESCO] convention would have no immediate effect on coins and it is hard for me to imagine a case where we would need to deal with coins except in the most unusual circumstances.”² That statement is not surprising. Coins are items of commerce making it difficult for modern nation states to justifiably claim them as their “cultural property.” They are probably the most common of historical artifacts and are not of “cultural significance.” They are avidly collected and traded worldwide—including in places like China, Cyprus, Greece, Bulgaria and Italy for which restrictions have been granted. It simply makes no sense to preclude Americans from importing coins where there is no “concerted international response.” To the extent foreign countries are concerned about looting of coins from archaeological sites, the “self-help” measure of regulating metal detectors should be tried first. Unfortunately, our State Department does not take the self-help requirement (or any of the other limitations on their authority) seriously.

Why is a legislative solution necessary? For almost a quarter of a century after the CPIA became law, there were no restrictions on historical coins. Then, in 2007 CPAC voted against extending import

¹ The IAPN is a nonprofit organization of the leading international numismatic firms founded in 1951. It was formed in the aftermath of WW II to help reestablish relationships amongst professional numismatists that had been badly frayed during years of conflict. The objectives of IAPN are the development of a healthy and prosperous numismatic trade conducted according to the highest standards of business ethics and commercial practice, the encouragement of scientific research and the propagation of numismatics, and the creation of lasting and friendly relations amongst professional numismatists around the world. The IAPN has one hundred eighteen (118) member firms in twenty (20) countries, including thirty-one (32) in the U.S.

² *Cultural Property Treaty Legislation: Hearing on H.R. 3403 Before the H. Subcomm. on Trade of the Comm. on Ways and Means*, 96th Congress 8 (1979).

restrictions to Cypriot coins but the State Department imposed restrictions anyway, and in so doing misled the Congress and the public about the decision by suggesting in an official report and press release the decision was made with CPAC's assent. This change in precedent (State had earlier adopted CPAC's recommendations against import restrictions on Cypriot and Italian coins) was then used as a justification to change precedent on Italian coins and place new restrictions on Chinese, Bulgarian and Greek ones.

Chairman Ryan and others have requested the State Department to ensure that MOUs and their implementing regulations promulgated by Customs and Border Protection (CBP) comply with governing law.³ Moreover, Robert Korver, a CPAC member appointed by President Bush, resigned in protest when State changed precedent on Italian coins, other former CPAC members have publically expressed severe qualms about how the State Department administers the CPIA,⁴ and learned academics have characterized State's and CBP's actions as "extralegal."⁵ Yet, despite these heartfelt criticisms, the State Department and CBP have only accelerated the process of imposing the broadest possible import restrictions on artifacts, including coins, often with little regard for even whether the modern nation state has any cultural affinity to the ancient people who produced the material.

Such import restrictions make it impossible for Americans to legally import collectors' coins widely and legally available worldwide. Foreign sellers are typically unwilling or unable to certify the coin in question (which can retail as little as \$1) left a specific 1970 UNESCO Convention State Party before restrictions were imposed as required by the CPIA and CBP rules. CBP does accept auction listings with pictures as evidence, but less than 1% of collectors' coins on the international market are valuable enough to appear at auction. These restrictions have drastically limited Americans' abilities to purchase historical coins from abroad and have negatively impacted the cultural understanding and people to people contacts collecting fosters. They have also gravely damaged the small businesses of the numismatic trade. IAPN estimates that US small businesses dealing in ancient coins have lost \$25-\$50 million yearly since import restrictions on popular Greek and Italian coins were first imposed. American small businesses can no longer legally import many coins for resale. In addition, European consigners no longer auction off their coins here because they fear CBP will seize their collections. They instead consign their holdings to American competitors in Europe where there are no similar restrictions.

Proposed Solution: IAPN proposes to harmonize our import controls for historical coins and other common artifacts with the export controls of our major trading partners. IAPN and other legitimate small businesses trading in historical coins and collectors only seek to retain the ability to import such items lawfully sold abroad. We look forward to working again on a bipartisan basis with the House Ways and Means Committee and its staff on the precise language and legislative vehicle to achieve such a goal.

³ See e.g., *Letter* from the Hon. Paul Ryan to Secretary of State Hillary Clinton, dated Sept. 27, 2010 (bipartisan correspondence joined by eleven (11) other House members expressing concerns about MOUs with China, Cyprus and Italy).

⁴ See Transcript of Seminar, *The Cultural Property Implementation Act: Is it Working?* (Mar. 21, 2011), *available at* <http://www.cprinst.org/Home/issues/transcript--cultural-property-implementation-act-is-it-working> (last visited Jan. 26, 2015).

⁵ Stephen K. Urice & Andrew Adler, *Resolving the Disjunction Between Cultural Property Policy and the Law: A Call for Reform*, 64 Rutgers L. Rev. 117 (Fall 2011).



February 5, 2015

The Honorable Paul Ryan
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Sander M. Levin
Ranking Member
Committee on Ways and Means
1106 Longworth House Office Building
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Levin:

Thank you for this opportunity to submit a statement for the record of the House Ways and Means Committee's January 27th hearing on the U.S. Trade Policy Agenda.

IWPA is the leading international trade association for the North American imported wood products industry, representing 200 companies and trade organizations engaged in the import of hardwoods and softwoods from sustainably managed forests in more than 30 nations across the globe. Association members consist of three key groups involved in the import process: U.S. importers and consuming industries, offshore manufacturers and the service providers that facilitate trade. The vast majority of these companies are small- to medium-sized family-owned businesses.

We are hopeful that the Committee will move forward at the earliest possible date with retroactive renewal of the Generalize System of Preferences (GSP) trade program. As you know, GSP was enacted in 1974 in order to eliminate import taxes on certain products from approximately 130 developing countries. The current GSP expiration, now in its 19th month, is the longest in GSP's 40-year history. Since GSP expired on July 31, 2013, American companies like our members have paid more than \$1 billion in higher taxes.

The program's ongoing lapse is having a severe impact on these U.S. businesses. To compensate for higher taxes, some have been forced to lay off workers, delay new hires, cut worker benefits, and cancel job-creating investments while awaiting congressional action. Retroactive renewal of GSP will allow for the refund of hundreds of millions of dollars in taxes paid by companies throughout the United States. Instead of struggling to stay in business, these companies could hire new workers, increase benefits for existing employees, and invest in future growth.

We look forward to continued opportunities to work with House Ways and Means Committee Members and staff to renew GSP at the earliest opportunity. Please have your staff contact Joe O'Donnell, IWPA's Manager of Government Public Affairs, by e-mail at joe@iwpawood.org or by phone at (703) 820-6696 if you have any questions or need additional information.

Sincerely,

Cindy L. Squires, Esq.
Executive Director

4214 KING STREET • ALEXANDRIA, VA 22302 • TEL: 703-820-6696 • FAX: 703-820-8550 • info@iwpawood.org • www.iwpawood.org

Rose Sager
Trade Representative, Kingdom of Bahrain
866 Second Ave.
New York, NY, 10017

February 9, 2015

Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

To the House Ways and Means Committee:

I'm pleased to see the House Ways and Means Committee taking steps forward to approve Trade Promotion Authority (TPA). This is the first real action supporting free trade agreements in years. I want to make sure that the Members of Congress, who are voting on TPA, understand the importance of international trade. This benefits both the US and other countries' markets; it increases U.S. exports which in turn generates economic growth and creates new jobs.

As the Trade Representative for the Kingdom of Bahrain, I have seen how the US-Bahrain FTA has benefited the economic and bilateral relationship. I appreciate the cooperation we share and I look forward to seeing this relationship grow as a result of our mutually-beneficial Trade Agreement.

I hope the Committee will support international trade agreements.

Thank you for your consideration.

Sincerely,

Rose Sager,
Trade Representative, Kingdom of Bahrain





Leading Innovation. Creating Opportunity. Pursuing Progress.

Statement for the Record

National Association of Manufacturers
733 10th Street, NW, Suite 700
Washington, DC 20001

House Committee on Ways and Means
on "U.S. Trade Policy Agenda"

January 27, 2015



Statement for the Record**House Committee on Ways and Means
“U.S. Trade Policy Agenda”****January 27, 2015**

The National Association of Manufacturers (NAM) is pleased to provide the following statement to the House Committee on Ways and Means on the “U.S. Trade Policy Agenda.”

The NAM is the largest manufacturing association in the United States, representing more than 14,000 manufacturers small and large in every industrial sector and in all 50 states. Manufacturing employs nearly 12 million women and men across the country, contributing more than \$2.08 trillion to the U.S. economy in 2013 alone.

Manufacturers in the United States increasingly participate and compete in a global economy that has become highly challenging, with slower-than-hoped-for growth in many parts of the world and increased competition from overseas. Not only do 95 percent of the world's consumers live outside our borders but world trade in manufactured goods has expanded to more than \$11 trillion, of which U.S. manufactured goods exports only represent nine percent. As well, economic activities overseas, from infrastructure and foreign government procurement to resource production and distribution, are providing fresh new opportunities for our manufacturers to invest and engage in growth-producing activities around the world that support a strong U.S. manufacturing base.

The NAM has long championed a robust trade and investment policy to grow manufacturing in the United States. At its core, a robust and pro-manufacturing U.S. trade policy should seek to open markets and level the playing field overseas, improve the competitiveness of manufacturers in the United States and ensure the strong enforcement of the rules of the trading system at home and by our trading partners.

Opening Markets Overseas Requires Trade Promotion Authority and Strong New Agreements

Trade and investment agreements play an outsized role in providing businesses of all sizes across all 50 states better access to the global economy. By setting the rules of the global trading system, multilateral, plurilateral and bilateral agreements level the playing field and enable manufacturers in the United States to compete more successfully.

Most of the world's countries have agreed to a basic set of trade rules as part of several agreements under the auspices of the World Trade Organization (WTO). Efforts to strengthen and expand these rules for all WTO members and eliminate tariffs and other barriers in the “Doha” negotiations have unfortunately stalled as a few major countries have refused to pursue an ambitious agenda moving forward.

The NAM is very pleased to see the WTO Trade Facilitation Agreement (TFA) move forward and is urging conclusion of an expansion of the Information Technology Agreement (ITA). The TFA is the first multilateral trade agreement to be concluded in the history of the WTO, and it has the potential to reduce significantly the barriers that countries – particularly developing countries – face in moving goods by increasing port efficiency, improving customs and regulatory processes, and upgrading infrastructure to increase trade exports. Now that the WTO agreement is on its way to ratification, countries will have to begin the work of assessing and implementing the commitments to realize the full benefit of the TFA. The United States is currently the largest single-country provider of trade-related assistance, and the U.S. Trade Representative has already committed to working with other donors and with WTO Members to help developing countries fully implement the TFA. The financial and technical assistance provided by the United

States and others must be provided in a coordinated, strategic and efficient way to countries that are committed to implementation. We encourage Congress to work with USTR and other agencies to ensure that funds and other forms of assistance are being delivered in the most effective way.

An expanded ITA, which is expected to eliminate tariffs on about 200 additional technology products – or roughly \$1 trillion in global sales each year – would create an estimated 60,000 new American jobs, enhancing innovation in the United States and increasing global GDP by roughly \$190 billion. Manufacturers have strongly supported this expansion given the benefits of this tariff-cutting agreement not just to producers of new high-tech equipment, but to all manufacturers that, as consumers, will be able to benefit from lower costs and greater innovation. U.S. leadership on the ITA expansion has been critical and we continue to urge action by America's trading partners to agree to a broad ITA expansion package.

Manufacturers also strongly support the negotiation of a broad Environmental Goods Agreement (EGA) as soon as possible. Global tariffs on environmental products are as high as 35 percent in some nations; eliminating these tariffs would have a substantial and positive impact on manufacturers who are working to develop new and improved goods aimed at solving environmental challenges. Achieving an EGA will unlock significant opportunities for manufacturers to decrease the cost of these products to consumers inside and outside the United States, drive innovation, and expand sales and manufacturing jobs. Negotiations are taking place this week on this important negotiation on which manufacturers are seeking quick action.

The WTO is also seeking move forward on a long stalled global liberalization trade negotiations that began in Doha, Qatar, in November 2001. Manufacturers continue to seek an ambitious outcome that will open new markets, not lock in longstanding barriers to trade in manufactured goods.

In addition to the WTO, the United States has negotiated free trade agreements on a bilateral or plurilateral basis. These agreements – referred to as either free trade agreements (FTAs) or trade promotion agreements – eliminate barriers more comprehensively than the WTO agreements and set in place stronger and clearer rules to improve the competitiveness of manufacturers in the United States, including rules on the protection of intellectual property and investment and ensuring greater transparency and fair competition.

The United States' experience under our FTAs demonstrates that where manufacturers from the United States can compete on a level playing field abroad, they can boost sales and grow their share of foreign markets. America's 20 existing free trade agreement partners account for less than 10 percent of the global economy but purchase nearly half of all U.S. manufactured goods exports.¹ For many states, including Ohio and Texas, that figure is closer to 60 percent.² The United States enjoys a nearly \$60 billion manufacturing trade surplus with its trade agreement partners, compared with a \$508 billion deficit with other countries.

Renewing and Modernizing Trade Promotion Authority is Essential to a Robust U.S. Trade Policy

To negotiate the type of comprehensive, high-standard and market-opening trade agreements that have driven export growth and jobs across the country, trade promotion authority (TPA) is essential.³ TPA legislation has been in place and was utilized during the negotiation and

¹ U.S. Department of Commerce, International Trade Administration, **TradeStats Express**, accessed at <http://tse.export.gov/TSE/TSEhome.aspx>.

² NAM, **U.S. Manufacturing Statistics – Manufacturing and Trade Data by State**, accessed at <http://www.nam.org/Statistics-And-Data/State-Manufacturing-Data/Manufacturing-by-State.aspx>.

³ It is sometimes argued that hundreds of trade agreements have been negotiated without TPA. Those agreements are not the type that open markets overseas or include binding and state-of-

implementation of the Uruguay Round Agreements creating the WTO and for 13 FTAs negotiated since 1974.⁴

Since TPA was put in place most recently in 2002, U.S. manufactured goods exports more than doubled from \$623 billion to \$1.38 trillion.⁵ Those exports support millions of American jobs, including, for example, 212,000 in Michigan, 189,000 in Pennsylvania, 185,000 in New York and 107,000 in New Jersey.⁶ In Oregon, Delaware and Maryland, manufacturing accounts for more than 80 percent of all state exports. Full state fact sheets are available at the NAM's website.⁷

Manufacturers welcomed the Bipartisan Congressional Trade Priorities Act of 2014, introduced at the beginning of last year by Senate Finance Committee Chairman Max Baucus (D-MT) and Ranking Member Orrin Hatch (R-UT) in the Senate and by House Ways & Means Committee Chairman Dave Camp (R-MI) in the House.⁸ This legislation sets forth the much-needed Executive-Congressional framework to ensure that both branches of government work to achieve the strongest possible outcomes in our trade agreements. This legislation also provided important updates to the traditional TPA framework, including with respect to priority negotiating issues.

Action on TPA is vital to ensure that U.S. negotiators can bring home the strongest possible outcomes in both the ongoing Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (T-TIP) talks that will set in place new and stronger rules to level the global playing field and to engage in major new negotiations. Such legislation is also need for the EGA, the Trade in Services Agreement talks and future negotiations.

Time is of the essence. Other major economies are already negotiating dozens of agreements without the United States that could put manufacturers and workers in the United States at a significant competitive disadvantage. If Congress does not move expeditiously to pass TPA and ensure the United States continues to lead in striking trade deals that drive manufacturing growth and job creation, we will be forced to sit on the sidelines while other countries negotiate deals that exclude us.

Failure to move forward would deal a damaging blow to a recovering U.S. manufacturing sector facing significant competitive challenges. The United States is one of the most open economies in the world. According to the World Trade Organization, America has the lowest applied tariff of any G20 country. But the World Economic Forum found that U.S. exporters face far higher tariffs abroad than their competitors in major markets like China, Russia, India and Brazil. Without TPA, the United States is unarmed in ability to eliminate those duties and other impediments to open and fair competition.

the art dispute settlement. For example, Trade and Investment Framework Agreements provide a useful opportunity for the United States to engage in economic discussions with foreign governments but do not obligate either country to open its market or address barriers.

⁴ Of all U.S. market-opening FTAs, only the U.S.-Jordan FTA was implemented without TPA. Notably, the Jordan FTA is much less comprehensive and less developed than our other FTAs, and most prominently lacks the state-of-the-art time-limited dispute settlement provisions that are found in the North American Free Trade Agreement and all subsequent FTAs.

⁵ U.S. Department of Commerce, International Trade Administration, **TradeStats Express**, accessed at <http://tse.export.gov/TSE/TSEhome.aspx>.

⁶ NAM, **U.S. Manufacturing Statistics – Manufacturing and Trade Data by State**, accessed at <http://www.nam.org/Statistics-And-Data/State-Manufacturing-Data/Manufacturing-by-State.aspx>.

⁷ *Id.*

⁸ NAM, **Statement for the Record for Senate Finance Committee Hearing on “Advancing Congress’ Trade Agenda, the Role of Trade Negotiating Authority,”** (Jan. 16, 2014, accessed at <http://www.nam.org/Issues/Trade/Trade-Promotion-Authority/NAM-Statement-Supporting-the-Bipartisan-Congressional-Trade-Priorities-Act/>).

The Bipartisan Congressional Trade Priorities Act of 2014 provides a very strong model to move forward on TPA as soon as possible. Not only does this legislation set forth clear and ambitious goals to eliminate tariffs and open overseas markets to U.S. goods, services and investment, it also establishes powerful new trade negotiating objectives that address existing and emerging commercial challenges to manufacturing growth and exports in markets around the world.

For the first time in a TPA bill, the Bipartisan Congressional Trade Priorities Act confronts the serious and growing problem of forced localization barriers to trade. It seeks to eliminate trade distortions and unfair competition from state-owned enterprises and to promote regulatory transparency, procedural fairness and rule-making based on risk assessments and sound scientific evidence. It includes critical new provisions addressing cyber theft and protecting trade secrets and confidential business information.

The legislation would foster manufacturing growth and innovation here in the United States. It includes highly important negotiating objectives to establish more open and fair trade in goods, improved transparency and protections and enforcement for intellectual property, and provisions that will ensure that U.S. property overseas is treated fairly and in accordance with core U.S. due process principles.

Just as importantly, the legislation would restore the vital partnership between Congress and the President that facilitates the negotiation and approval of trade agreements. It enhances congressional oversight over trade negotiations and, for the first time, explicitly confirms and provides that any Member of Congress can access negotiating text, submit views and attend trade agreement negotiating rounds. Separate House and Senate advisory groups would oversee ongoing trade talks, including through regular, scheduled meetings.

At the same time, the Bipartisan Congressional Trade Priorities Act provides the appropriate structure to empower U.S. negotiators to bring back the strongest possible trade agreements to open markets and level the playing field. Without this authority, our trading partners have little incentive to make tough decisions or put their best offer on the table.

From the NAM's perspective, this legislation provided the type of framework needed to secure new, market-opening trade agreements. The NAM looks for new TPA legislation to be introduced shortly in the 114th Congress and urges Congress and the Administration to move forward on strong TPA legislation as quickly as possible.

Strong, High-Standard and Market Opening Outcomes Are Required in Ongoing Negotiations

The ongoing TPP and T-TIP negotiations hold enormous potential to expand U.S. exports and international sales and to promote jobs and economic growth if they are concluded successfully. Taken together, these agreements would open markets with nearly one billion consumers covering nearly two-thirds of global GDP and 65 percent of world trade.

Yet, not just any agreement will suffice. The outcomes obtained in both the TPP and the T-TIP must be bold and concrete, particularly on market access, intellectual property and investment rules, the new 21st century issues and the agreement's overall enforceability. Weak and insufficient outcomes in these areas will put at risk broad-based manufacturing support for ultimate agreements which are made even more important given the number of countries at the negotiating table.

In particular, the NAM has identified the following issues as critical:

- *Market access:* New and concrete market access, especially in the major countries with which the United States does not already have free trade agreements – Japan, Malaysia, Vietnam and each of the EU member states. Each of these markets poses substantial, but different, challenges to manufacturers, from deeply embedded non-tariff barriers to tariffs and beyond. As we have seen with the implementation difficulties in the Korea-United States Free Trade Agreement (KORUS FTA), strong and detailed market-opening commitments matter deeply, particularly in countries that have resisted more open competition and trade liberalization. It is, therefore, critical that manufacturers across our most vital industry sectors see outcomes on core market access issues and related disciplines that will ensure fairness and effective and substantial new market access. Even with the EU, where tariffs are relatively low, the elimination of tariffs would result in over \$10 billion in duty savings, and an even modest alignment of U.S. and EU regulatory standards and nontariff barriers could increase combined GDP by an estimated \$106 billion.
- *Strong and High-Standard Rules.* The core rules of our modern free trade agreements must actually achieve the “model of ambition” that the TPP leaders promised in 2011. In particular, intellectual property protections, from patents and copyrights to trademarks and trade secrets, must be state-of-the-art, fully enforceable and applicable to all products. Manufacturers strongly oppose any outcome that would provide lengthy or indeterminate transition periods for some countries on some types of intellectual property, whether or not based on development or other indicators. Strong protections consistent with U.S. law for duration of protection, as well as rigorous enforcement provisions for intellectual property are a vital jobs and manufacturing issue.

Similarly, the outcomes on investment market access, protections and enforceability must also provide full protection to American investments in the TPP and T-TIP markets, including access to the neutral investor-state dispute settlement procedures that are contained in thousands of agreements worldwide. All products and sectors must be accorded the same basic neutral enforceability guarantees as should breaches of major investment contracts in infrastructure, natural resources and other domains that help drive U.S. exports into foreign markets. Moving backwards on these rules as some countries have proposed will undermine investment which is the biggest driver of U.S. exports and commerce overseas.

- *New Rules on Digital Trade and Fair Competition.* New trade agreements must also reflect the globally connected economy, where digital trade and the use of cloud computing is increasingly critical to manufacturers, particularly small companies, as a means to access overseas markets. Strong trade agreement commitments that ensure the ability to move data across borders and that prohibit domestic localization requirements for information technology infrastructure are sought by industries across the manufacturing spectrum. As well, fair competition in overseas markets, including with respect to state-owned enterprises, is important to ensure manufacturers can compete successfully in the global market. Allowing strong standards in each of these areas to be riddled with exceptions will not advance America’s pro-manufacturing agenda.
- *Enforceability.* Final agreements must also be fully enforceable and comprehensive. The value of our trade agreements in helping to grow manufacturers’ opportunities and competitiveness overseas is dependent on the fact that they are binding and enforceable.

Strong and ambitious outcomes on market access, intellectual property, investment, cross-border data, fair competition and full enforcement are vital components of successful outcomes not only in the TPP and T-TIP negotiations but also other negotiations on which the United States may and should embark.

Improving Manufacturers' Global Competitiveness Requires New and Improved Trade Legislation and Policies

Manufacturers in the United States face stiff competition from competitors around the world both in global markets and here in the United States. To improve opportunities for our manufacturers, it will be important for Congress to pass and the President to sign key trade legislation, including the following legislation in this Committee's jurisdiction:

- **Miscellaneous Tariff Bill (MTB).** The MTB is a pro-competitive piece of legislation that allows manufacturers in the U.S. to import certain manufacturing inputs and other products duty free when those products are not produced or available in the United States. This decades old program has been critical to support and grow manufacturing jobs in the United States by cutting costs and strengthening our manufacturers' competitiveness in the global economy. The MTB expired over two years ago, resulting in a major \$748 million tax on manufacturing in the United States. Manufacturers are urging Congress to move forward quickly on MTB legislation that will ensure a predictable, transparent and timely process.
- **Customs reauthorization.** Customs reauthorization legislation is needed to cut red tape and expedite legitimate trade at our borders, while strengthening and requiring time-limited enforcement activities to prevent transshipment and illegitimate trade.
- **Preference legislation.** The NAM has long supported well-crafted preference legislation, such as the Generalized System of Preferences (GSP) that expired on July 31, 2013. Such legislation helps developing countries expand their economic growth opportunities, while also helping manufacturers reduce costs on important inputs.

Movement on this legislation is an important part of a robust trade policy that will advance our manufacturers' global competitiveness.

Enforcement of Trade Agreements and Trade Rules Is Also Critical

Enforcement of trade rules, both domestic and those contained in international agreements, is also an important feature of a robust trade strategy.

Trade Agreement Enforcement Ensures that America Gets the Bargain it Negotiated

For our trade and investment agreements to be successful, it is vital to ensure effective enforcement of the commitments contained in those agreements by our trading partners and the United States to create a more level playing field.

On the international side, the United States has worked actively through successive administrations to address market access barriers and other unfair treatment of U.S. exports and products. Before agreements first enter into force, the Office of the United States Trade Representative (USTR) works vigorously to ensure the full implementation of commitments. In most cases, commitments are implemented fully. In cases where they are not, USTR works through the consultation and ultimately the dispute settlement provisions provided in trade agreements to ensure full implementation. Indeed, since the WTO was established nearly two decades ago in 1995, the United States has brought and successfully resolved 70 of the 74 cases that have been concluded.⁹ Notably, the United States has brought more than 20 percent of the

⁹ Office of the United States Trade Representative, **Snapshot of WTO Cases Involving the United States** (May 22, 2014), accessed at <http://www.ustr.gov/sites/default/files/Snapshot%20May.pdf>.

over 480 requests for consultation made overall in the WTO.¹⁰ These cases have an important impact on growing manufacturing in the United States. For example, in March the United States won a very important WTO case that addresses manufacturers' concerns over China's export restrictions on rare earths that impeded access to such inputs.¹¹ Most recently, the WTO Appellate Body sided with the United States in its complaint over Argentina's onerous and discriminatory import licensing regime.¹² The United States has pursued cases with regard to actions by many of our major trading partners, from the European Union, Canada and Mexico to Brazil and India. Without the underlying agreements, such strong dispute settlement outcomes that open markets and ensure fair treatment would not be possible.

Sustained attention is needed to address other governments' failure to implement their trade and investment commitments fully, including where appropriate through the use of WTO and FTA dispute settlement mechanisms. Whether it is a newer agreement, such as the Korea-U.S. Free Trade Agreement or one that has been in force for decades, the United States should not hesitate to ensure that all trade agreement obligations are enforcement.

Upholding the United States' International Obligations at Home

Similarly, the United States should uphold its obligations under international agreements and honor remedies imposed when U.S. actions are found to be out of compliance with those obligations. Just as we expect our trading partners to meet the letter of their international obligations, so should the United States.

Most recently, the WTO has found again that the U.S. Country-of-Origin Labeling (COOL) regulations for meat products is discriminatory and therefore out of compliance with the United States' WTO obligations. The NAM believes it is critical that the United States bring this law into compliance with its international commitments as soon as possible to avoid the trade retaliation that may be imposed on exports to our two largest markets (Canada and Mexico), which would cause serious economic harm to many manufacturers in the United States. To prevent such negative impacts on manufacturers in the United States, the NAM is calling upon Congress to ensure that the Administration has the authority to act quickly to suspend indefinitely the COOL regulations in regard to meat products if the WTO rules against those regulations.

Enforcement through Investor-State Dispute Settlement (ISDS)

With regard to the enforcement of trade and investment agreements, the NAM also strongly supports the continued inclusion and use as appropriate of ISDS contained in U.S. FTAs and investment treaties. ISDS is a vital enforcement tool that allows individual investors (whether business or non-profit) to seek enforcement of basic principles – such as non-discrimination, compensation for expropriatory action (*i.e.*, takings) and fair treatment – before a neutral arbitration panel. ISDS is in essence an enforcement mechanism and those seeking a more level playing field for manufacturers in the global economy should support the inclusion of this mechanism in existing and future agreements, including the TPP and T-TIP agreements, as well as bilateral investment treaties (BITs), such as currently being negotiated with China. Such provisions should be broadly available both for the core investment rules of the underlying

¹⁰ Id.; World Trade Organization, **Chronological List of Dispute Cases**, accessed at http://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm As USTR's snapshot explains, the United States has filed 103 requests for consultation.

¹¹ USTR, **USTR Helps Win Case Against China, Helps Manufacturers Compete** (March 2014), accessed at <http://www.ustr.gov/about-us/press-office/press-releases/2014/March/US-wins-victory-in-rare-earths-dispute-with-China>.

¹² USTR, **WTO Appellate Body Affirms U.S. Victory in Trade Enforcement Dispute Against Argentina's Import Licensing Restrictions** (January 2015), accessed at <http://www.ustr.gov/about-us/press-office/press-releases/2015/January/WTO-US-Victory-Trade-Enforcement-Dispute%20Against-Arentina-Import-Licensing>.

agreements, but also with respect to contracts and other investment agreements signed by investors with the foreign government. Proposals to eliminate or modify these core enforcement rules should be rejected as such outcomes undermine rather than strengthen a strong enforcement agenda.

Full and Timely Enforcement of Domestic Trade Rules Is Essential

Domestically, the NAM continues to be a strong supporter of the full and fair enforcement of our trade remedy laws that help manufacturers address government-subsidized and other unfair competition. These rules too are an essential part of a robust pro-growth and pro-manufacturing trade policy. U.S. trade remedy laws have long been part of the U.S. legal system and are internationally respected mechanisms, authorized by the WTO.

It is vital that both the Department of Commerce and U.S. International Trade Commission exercise their authority to counteract unfair practices overseas. Full, effective, timely and consistent enforcement by the U.S. government of these globally recognized rules is essential to ensure manufacturers get a fair shake in the global economy.

Enforcement of U.S. trade rules must occur during the investigatory and review stages, but these trade rules must also be enforced fully at our border. Too often, we hear stories of manufacturers that have spent significant time and money to utilize the trade remedy rules only to find importers that are evading these orders. When manufacturers request that Customs and Border Protection (CBP) investigate these cases of evasion, years often pass with no resolution. The Senate Trade Facilitation and Trade Enforcement Act of 2013 (S. 662) includes an important fix to this problem, and manufacturers continue to urge Congress to move this legislation forward. In particular, the provisions in Title III of S. 662 would help strengthen CBP's authority to enforce antidumping and countervailing duty orders and to investigate effectively alleged evasion of those orders in a time-limited manner.

Other Key Trade Issues

The global competitiveness of manufacturers and other industries in the United States to expand exports and promote growth and jobs also requires movement on other key issues, which are outside this Committee's jurisdiction. In particular, the NAM is strongly supportive of:

- The long-term reauthorization the Export-Import (Ex-Im) Bank. The Ex-Im Bank is a vital tool to help grow U.S. exports and increase American jobs. As the official export credit agency of the United States, Ex-Im Bank assists in financing U.S. exports from thousands of American companies and bolsters our global competitiveness. In fact, nearly 90 percent of Export-Import Bank's transactions directly support U.S. small business. While Congress passed a short-term extension of Ex-Im's charter to June 2015, this short-term reauthorization is insufficient to provide U.S. exporters and their customers the certainty they need to operate effectively in the global economy where just nine of our major trading partners are providing more than 18 times the level of Ex-Im financing to our competitors overseas.¹³ Manufacturers are, therefore, urging action on a long-term reauthorization of the Ex-Im Bank as soon as possible.
- Continued reform of our export control system. In 2009, the Administration embarked on a major export control reform agenda to address longstanding features of that system that undermine the competitiveness of U.S. manufacturers operating in the global economy. The NAM strongly supports the objectives of the President's Export Control Reform Initiative: to focus federal resources on the threats that matter most, to bring

¹³ National Association of Manufacturers, **The Export Credit Dimension** (July 2014), accessed at http://www.nam.org/uploadedFiles/NAM/Site_Content/Issues/Global%20Export%20Credit%20Dimension%20Web.pdf.

transparency and coherence to these regulations, and to enhance the competitiveness of manufacturing and technology sectors in the United States. While the Administration is making great strides in reconciling the separate control lists, the NAM urges continued efforts to prioritize key policy reforms that would further streamline licensing and system administration, such as establishing an effective program license framework, deploying a truly connected information technology system across licensing agencies, instituting periodic reviews of current license exceptions, renewing the attempt to create an efficient intra-company transfer license for trusted companies and simplifying encryption controls. Accelerating implementation of multilateral regime changes and addressing the barriers to civil nuclear exports would also benefit U.S. security and competitiveness.

Conclusion

In manufacturing communities across America, the gains from trade can and should be increased. The United States achieved a record level of \$1.38 trillion in manufactured exports last year, but we can do better so that America can expand manufacturing and jobs here at home. To improve the global competitiveness of manufacturers in the United States and grow our manufacturing economy, the NAM urges prompt action on TPA and on new market-opening trade and investment agreements to level the playing field globally, action on key legislation and policy reforms that will advance our global competitiveness and the full enforcement of our trade agreements and existing domestic trade rules.

-NAM-





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**U.S. House of Representatives
 Committee on Ways and Means
 Hearing on U.S. Trade Policy Agenda
 January 27, 2015**

**National Cotton Council of America
 Statement for the Record**

Thank you Chairman Ryan, for the opportunity to share the concerns and priorities of the National Cotton Council of America (NCC) within the U.S. trade agenda. This hearing occurs during a crucial moment for the cotton industry, where we face twin threats on the international front from Chinese cotton policy and Turkey's unfounded antidumping investigation of U.S. cotton. Impacts of these trade actions will be felt throughout the chain of production and distribution. A loss of markets in China and Turkey means a loss of thousands of American jobs and economic productivity.

The NCC membership includes producers, ginner, cottonseed processors and merchandizers, merchants, cooperatives, warehousemen and textile manufacturers, in seventeen states, stretching from California to Virginia. Farms and businesses directly involved in the production, distribution and processing of cotton employ almost 200,000 workers and produce direct business revenue of more than \$27 billion.

Turkey

Turkey is a major export market for U.S. cotton, in recent years ranking as the 2nd or 3rd largest export customer with exports valued at \$850 million. By erecting damaging trade barriers that reduce U.S. exports, U.S. cotton farmers will suffer due to lower prices. An adverse finding by Turkey would compound the already critical price situation facing U.S. cotton farmers, which is being driven by distortive agricultural policies administered by the Chinese government, discussed in detail below. For these reasons, the NCC and its member companies were surprised and concerned when the Turkish government self-initiated an anti-dumping investigation of U.S. cotton on October 18, 2014.

The case appears to have been filed as political retaliation against the United States on matters unrelated to U.S. cotton exports. Shortly after the U.S. imposed anti-dumping and countervailing duties on Turkish steel during the fall of 2014, Turkey's Minister of Economy publicly warned they would retaliate against the U.S. by imposing three obstacles against U.S. exports for every one imposed on Turkish exports. The Turkish authority then self-initiated the anti-dumping investigation of U.S. cotton despite no Turkish cotton producers being on record alleging any kind of injury due to U.S. cotton imports. Although it is within Turkey's rights under the WTO to self-initiate, they must present "special circumstances" justifying the investigation. Turkey's

initial report does not provide a description of such circumstances, and in fact is heavily redacted. It is entirely unclear as to what data they relied upon or where the data originated from to present a threshold case for conducting an investigation.

Turkey's self-initiation filing included a number of other "red flags" that are worrisome, such as blatantly disregarding actual U.S. data and ignoring lower import prices and increasing market shares from other countries. Turkey also ignores price data from the U.S. cotton market based on an erroneous claim that U.S. price subsidies cause U.S. market prices to be an unreliable indicator of market conditions. The U.S. cotton futures market is widely used by international cotton traders and international textile mills for price discovery and risk management.

Contacts in Turkey have said that the Turkish government is considering a "provisional" antidumping duty, even though they have not yet finished processing the initial industry questionnaires. Again, this raises WTO concerns: the WTO only permits a provisional duty upon a preliminary determination, which must rest on an assessment of adequate evidence of dumping and injury – but Turkey's fact-finding effort is still at a very early stage.

The U.S. cotton industry will show that the antidumping investigation has no merit. The NCC has been accepted as an "interested party" to the investigation and has already submitted a preliminary injury analysis in efforts to forestall a provisional duty. A detailed injury argument will be submitted to the Turkish authority in coming weeks. U.S. companies have responded in good faith to the Turkish government's detailed questionnaires, and will continue to cooperate by providing additional information and even hosting site visits, if requested. We are confident that the data will clearly demonstrate that no dumping is occurring, if analyzed in an objective manner. When comparing like qualities of cotton, cotton offered to Turkish mills is priced in the same manner as cotton offered to U.S. mills or mills in other countries.

We appreciate the efforts of the office of the U.S. Trade Representative, the Department of Commerce, the Department of Agriculture, and the Department of State. To date, all of these agencies have met with the NCC and its member companies and provided helpful guidance to the industry's efforts. The State Department delivered a demarche to the Turkish government and USDA submitted comments for the record, both documents emphasizing the importance of transparency and following the WTO process for antidumping investigations, and the mutual importance of the Turkey-U.S. trading relationship. We encourage the U.S. government to remain firmly engaged and to discourage the continuation of this retaliatory investigation.

Members of Congress have also provided valuable support to the industry by raising the profile of this investigation through letters to the Administration and the Turkish Ambassador.

We value the vibrant and growing economic ties between Turkey and the United States, but it can only continue to develop and flourish in accordance with the existing WTO rules governing international trade. USTR is key to impressing this message upon the Turkish government.

China

As the world's largest cotton producer (27% of global production in 2013) and also the largest processor of raw cotton (32% of global mill use), China's cotton policy has an enormous

influence on the global cotton markets. China has been U.S. cotton's largest export market, with approximately 35% of total U.S. production delivered to its mills. However, recent changes to China's cotton policy are likely to disrupt this relationship.

Over the past four years, China has significantly increased its domestic support levels well above its WTO commitments. In 2011, China began a stockpiling reserve program through government purchases of domestic cotton at rates well above global prices. These support prices translated to product-specific support worth between 19 – 31% of the value of China's production, while China's WTO commitments only allow product-specific support at no more than 8.5% of the value of production. China now holds an estimated 63 million bales in stocks with more than 50 million bales sitting in government-owned reserves. In contrast, all other countries hold just 39 million bales, combined. Under WTO rules, China is required to provide notification of domestic support levels but has not done so since the 2008 crop.

China controls imports of raw cotton through policies that are restrictive, opaque and unpredictable. China's WTO minimum TRQ requirement is set at 4.1 million bales, but it supplements imports variously throughout the year. The process for determining additional quota is unknown and non-transparent. China's imports under the additional quota are also generally subject to a variable level duty ranging between 5% and 40%.

China recently revised its cotton support programs and will drastically reduce its imports of U.S. cotton. The support price for the largest cotton-producing province is set at a level more than twice the world price of cotton. Other provinces benefit from market support offered by the existing import policies, as well as a direct subsidy of \$0.15 per pound. Together, these programs translate to product-specific support worth at least 25% of China's value of production; and as much as 44% if calculated at current market conditions. Moreover, the allocation of the import TRQ and import licensing scheme for 2014 – as well as the disposition of the 50 million bale government reserve – remains uncertain.


The NCC strongly encourages the Administration to challenge China's cotton policies in all avenues offered within the WTO. Its current policies raise serious concerns regarding China's WTO obligations under the GATT, the Agreement on Agriculture, the Subsidies Agreement, and China's WTO Accession Protocol. It is important to our industry that the U.S. government utilize all available legal tools to enforce against countries that unfairly support their domestic products to the serious detriment of U.S. farmers.

Trans Pacific Partnership

As the Administration continues the ongoing negotiations in an effort to conclude to the Trans Pacific Partnership (TPP) agreement, the U.S. cotton industry is unified behind the inclusion of a yarn forward rule of origin in TPP or any other international trade agreement. A yarn forward rule of origin requires that any product made with yarn produced in a country that is a party to the trade agreement may receive the benefits accorded to partner countries under that agreement. Failure to maintain a yarn forward rule of origin will damage the entire hemispheric textile trade that has been built under NAFTA and CAFTA-DR, which both contain the yarn forward rule of origin. The inclusion of Vietnam in the current TPP negotiations underscores the importance of

a yarn forward rule of origin as a means to protect against textile products produced outside the partner countries from gaining preferential access to the U.S. market, thus resulting in severely negative impacts to the U.S. textile manufacturing sector.

Mr. Chairman, thank you again for holding this timely and important hearing, and for accepting our comments for the record. China and Turkey remain the two most important international markets for U.S. cotton, and it is vital to the U.S. cotton industry that those markets remain open and competitive. Although we appreciate the U.S. government's efforts to maintain strong trading relationships with Turkey and China, more work is needed. And we urge that the remaining negotiations on the TPP agreement ensure that there is a strong yarn forward rule of origin in place for textile products produced in the countries that are part of the TPP agreement. We would be pleased to provide any additional information or answer any questions regarding the information provided here. Reece Langley with NCC can be contacted at rlangley@cotton.org or 202-745-7805.



Written Statement of Daniel Mark Ogden, Esquire,
Attorney at Law and International Trade Consultant
On behalf of the National District Export Council, Inc.

House Ways & Means Committee

Hearing: U.S. Trade Policy Agenda

January 27, 2015

Written Statement Background

This written statement is submitted by Daniel Mark Ogden, Esq., an attorney, licensed customs broker, and international trade consultant who for over 25 years has counseled and represented U.S. and foreign companies of all sizes on a multitude of international trade and business legal and regulatory issues, and is also submitted by the National District Export Council, of which he serves as the Chairman Emeritus. The views expressed herein represent his own personal views as well as those of the National District Export Council, unless otherwise noted.

The subject of this hearing is on the development of a U.S. trade policy agenda. As the National District Export Council works very closely, although not exclusively, with small business exporters, this statement will focus on the development of a U.S. trade policy agenda as it relates in particular to the small business exporters and the opportunities and challenges they face in the international marketplace. The statement will cover the importance of trade to the well-being and wealth of the U.S. economy, to the health and profitability of small business, and to the creation of job growth in the United States. This statement will also discuss the challenges and barriers to success that small business exporters face from government laws and regulations, both foreign and domestic, and the development of a trade policy agenda that will serve the international trade interests of the United States, and in particular the interests of small business exporters.

The Nature of Small Business Exporters

Like exporters of any size, small business exporters face both opportunities and challenges in the international marketplace. However, because of the nature of small business exporters, their opportunities are affected by these challenges disproportionately as compared to larger exporting firms. In order to understand the disproportionate effect of the challenges, a discussion of the nature of small business exporters is on order.

Small Business Exporters are Small Businesses First

Initially, it must be stressed, and this is a key point, that small business exporters are small businesses first. The fact that they derive a significant portion of their revenues from exports does not detract from the fact that they face the same challenges to their profitability that all small businesses in the United States face. Some of the most significant of these challenges that all U.S. small businesses face arises from the U.S. domestic regulatory and legislative environment which has a significant impact on their profitability. In fact, among all small businesses, small business exporters face unique challenges in this regard as not only do they have challenges to their profitability in the foreign arena but also from the domestic arena in the United States as well. Therefore, before discussing the challenges faced by U.S. small business exporters from foreign regulatory and legislative environments, and how Congress can assist in those challenges, it is important to first examine this environment at home.

The Impact of U.S. Regulatory, Legislative & Tax Policies on the Health of Small Businesses

Healthy small business exporters are healthy small businesses. The health of any business is measured by its profitability. While this profitability is impacted by numerous factors, the

regulatory, legislative and tax environment in the United States unquestionably is a significant factor. For example, many small business exporters are manufacturers (part of the resurgence in U.S. manufacturing is being led by small business exporters). Like any other manufacturer, small business manufacturer-exporters are greatly affected by such U.S. regulatory agencies such as OSHA and the EPA and the voluminous regulations they produce. Additionally, like many small businesses, small business exporters are affected by laws such as Dodd-Frank, which is greatly limiting access to loans for small businesses, and Sarbanes-Oxley, which, as a result of its numerous reporting requirements for publicly-traded corporations, discourages small businesses from seeking investment capital through public stock offerings. Finally, like many small businesses, the fact that many small business exporters are Sub-Chapter S corporations means that current tax laws severely impacts their ability to reinvest their retained earnings in their operations.

One unintended consequence of these U.S. regulatory, legislative and tax policies is that in many instances, it forces manufacturers to move production to other countries that have regulatory, legislative and tax environments that are more conducive to the profitability of a business. This fact often is not true just for large manufacturers but for small manufacturers as well. When it comes to small business manufacturers, while the decision to locate production facilities overseas is determined by a multitude of factors, one of those factors is often U.S. regulatory, legislative and tax policies. The more that small business manufacturers locate their production facilities overseas, the less they will export from the United States and just as most important, the less Americans will be employed in such production.

In seeking, then, to answer the question “what trade policy agenda should Congress adopt that will assist American businesses in general, and in particular small business, in increasing their exports and thereby be competitive in the international marketplace?”, one answer quite simply is to stop over-regulating, over-legislating, and over-taxing small business in general. That answer may perhaps do more for the health of small business exporters than other single thing the United States government could do.

The Impact of U.S. Export Controls Reform on Small Business Exporters

While general U.S. regulatory, legislative and tax policies that are friendly to small business will help to improve the health of U.S. small businesses in general, including small business exporters, there is one specific area of U.S. regulatory and legislative policies that in particular affects small business exporters. By its very nature U.S. export controls law and regulations directly impacts all American exporters, but, as is the case in general with law and regulation, they have a disproportionate impact on small business exporters. Large exporting firms generally have the requisite staff and resources to manage the complexities of export controls compliance. As a general rule, small business exporters usually do not and often will have a single employee with other responsibilities also be responsible for export compliance, or they may instead be forced to outsource export compliance to an outside consultant. Many exporters, however, do neither and therefore are non-compliant in various degrees when it comes to export controls.

There are, of course, very good policy reason for the U.S. to have export control laws as they help to protect U.S. national security and economic vitality. And further, it is the

responsibility of all U.S. exporters to ensure that they are in compliance. The importance of export control laws, however, does not necessitate that they either be so complex and cumbersome that they discourage companies from exporting, or that they fail to be updated and modernized to reflect the current stage of technological developments and the realities of the international marketplace. It does no good, for example, to have stringent controls on the export of computer chips that are several generations old and can be purchased on eBay for a few dollars. The challenge faced by the U.S. government, then, is to have export controls that are effective in meeting U.S. national security, foreign, and commercial policy, yet do not discourage exports. While meeting this challenge—which on its face may appear to be contradictory—is difficult, a continuous review and updating of export control law and regulation can overcome this challenge and accomplish the dual goal of both protecting vital U.S. interests and increasing U.S. exports.

Fortunately, there is at present an ongoing attempt by the current Administration to reform U.S. export controls, called, appropriately, export control reform or ECR. This process, although being called for by many years by those both inside of and outside of government, was really begun in earnest at the prompting of former Defense Secretary Robert Gates. Without getting into the weeds of ECR, the overall objective is to simplify both the administration of and compliance with U.S. export control law and regulation. While there are many things that the executive branch can itself do to advance this objective, Congress will also have a vital role to play. The simpler it is for the U.S. government to administer our export control laws, and the simpler it is for U.S. exporters to comply with them, the greater the likelihood will be that U.S. exporters will in fact comply with such laws and regulations—thereby accomplishing the policy objectives behind such laws and regulations—and the greater the likelihood that U.S. exporters will in fact increase their exports due to the fact that U.S. export controls law and regulation will not be a negative factor in their export efforts. These facts are doubly true for small business exporters.

The Defining Characteristics of Small Business Exporters

In considering the development of a U.S. trade policy agenda that in particular will benefit small business exporters, Congress needs to have a firm understanding about the defining characteristics of small business exporters. When thinking about small business and exporting, first a definition is in order. When one thinks of a small business, quite often the thought is that of a business like your favorite dry cleaners. While dry cleaners are certainly small businesses, when it comes to small business exporters, they run the gamut from a single entrepreneur who drop ships his products to his overseas eBay customers to a company with 500 employees who ships its products to multiple countries. What really defines a small business in general is not so much the size of a company in terms of its employees or annual revenues but rather its level of entrepreneurship. To be successful, small businesses by necessity have to be entrepreneurial and the founders and owners of small businesses must be and generally are entrepreneurs. What defines entrepreneurship? In a word, risk-taking. The degree by which a company is willing to take risks, calculated and reasonable risks, but risks nevertheless, to a large extent determines its level of entrepreneurship. And when it comes to exporting, this is exponentially true.

To be a successful small business exporter means by definition that you are willing to take risks in order to increase your market share, grow your company, and improve your profitability. This need to be a risk-taker is due to the fact that the international marketplace is fraught with risks

arising from political, economic, cultural, legal and other factors. But as any true entrepreneur knows, risk means opportunity. And it is this opportunity that drives small businesses to become exporters. It is true that many small business exporters are occasional exporters, meaning that they export not as a result of a deliberate strategy, but rather in reaction to requests for orders. But when many a small business sets out to deliberately survey the global square, it often sees, because by nature it is a risk taker, not just roadblocks but also opportunities.

The reality is, of course, that these roadblocks to exporting do exist and present barriers to exporting that U.S. firms of all sizes, and particularly small businesses, have a difficult time overcoming. American small business exporters, of course, like all exporters, do not operate in a vacuum as their operations are affected by numerous factors. Perhaps the most single important factor is U.S. trade policy. Therefore, before discussing and some of the unique and specific challenges small business exporters face in regard to trade policy, a few comments about U.S. trade policy in general are in order.

U.S. Trade Policy Fundamentals

Rather than cite numerous statistics indicating the importance of trade to the U.S. economy, it is sufficient to state that more than ever, due to the increasingly foreign competitive challenges faced by U.S. companies (and particularly small businesses), as well as to the global marketplace that has become a reality, trade policy is arguably—along with national security policy—the most critical policy the federal government faces today. If the U.S. economy is to have sustainable growth and generate wealth, which should be the goal of any economic policy, then we must have the right trade policy. It is not an option. It is a necessity.

The question then is, what should that trade policy be? This is a complex question that demands detailed answers. This statement provides some answers to that question from the standpoint of small businesses in the United States.

Trade Policy and Wealth Creation

Initially, a few general points about international trade and its relationship to the wealth creation of an economy need to be made. Exporting, at least for most, is generally praised as a worthy and worthwhile activity. Importing, on the other hand, is frowned upon for obvious reasons which are not necessary to recite. The simple fact of the matter is, however, that trade is a two-way street. Every export is also an import and vice versa. Imports in of themselves are not a bad thing and in fact are vital to the success of many U.S. firms, and especially for small businesses who quite often have very thin profit margins. Being able to freely source the inputs and means of production is critical to the profitability of small business, including small business exporters. Those who do decry imports also—and oddly—generally ignore the existence and importance of exports to wealth creation and the U.S. economy as they tend to be anti-trade in general.

At its fundamental core, trade policy should be based on one underlying principle—free market economics. This principle was postulated over 200 years ago by Adam Smith in his seminal work the *Wealth of Nations*, which set forth the proposition that mercantilism—in today's parlance, protectionism—leads not to wealth but rather to poverty. Smith argued that the

mercantilism of his day distorted a market by introducing artificial barriers to trade and thus impoverished a country as a whole.

An accompanying principle which is also an important component of a free market trade policy, was advanced by David Ricardo in his *Theory of Comparative Advantage*. This theory, in simple terms, states that a nation should sell what it is good at producing and buy what it is not. This theory actually is borne out every day in the business practices of companies. A Coca-Cola bottler, for example, does not turn raw materials into the glass for which it uses to bottle Coke because it is not good at turning raw materials into glass. Rather, it purchases the glass which it uses to produce the bottles which contain the world's most recognized and consumed soft drink. The same principle holds true for countries. In Africa, for example, many countries have abandoned their comparative and natural advantage in the agricultural sector in an attempt to become producers and exporters of heavy industrial products, largely due to the bankrupt Soviet-inspired economic philosophy that a strong economy is by necessity a heavy industrial economy. As a result, many of these countries are now net importers of food, having neglected or destroyed their agricultural sectors and therefore have created not wealth, but poverty. And the failure of countries all around the world to recognize this principle is a prime driver of trade protectionism.

Dangers of Protectionism

In spite of attempts by politicians, economists, political philosophers and ideologues over the last 150 years to the contrary, these fundamental economic principles spelled out by Smith and Ricardo have been proven by economic reality to be factually true. Protectionism is the mother's milk of economic depression. It is not a creator of wealth but is rather a creator of poverty. Trade policies that are protectionist in nature are a dead end and only hurt the very persons they are ill-designed to help. Protectionism was one of the major causes of the Great Depression. "Beggars thy neighbor" trade policies, such as the 1930 Smoot-Hawley Tariff (which is still on the books as the default tariff for non-MFN and non-GSP nations), merely led to a rapid and calamitous reduction in economic growth and activity both in the U.S. and abroad. The Great Depression was the price we paid for such a policy.

Avoidance of a protectionist trade policy used either as a strategy or a tactic should be at the core of U.S. trade policy. Protectionism is not a monopoly held by either party in our historically two-party system of government. It is a disease that is bi-partisan in nature. The United States as a nation cannot afford its fruits no matter how loud the cries are for it.

Importance of Trade Agreements to Small Business Exporters

The temptation to implement protectionist trade policies is not, of course, unique to the United States and as a general measure is succumbed to far more often in most other countries. Protectionist trade policies are a fact of life that small business exporters have to deal with on a daily basis. This fact makes trade agreements an essential component of U.S. trade policy.

Reduction and Elimination of Tariffs

Since the conclusion of the Second World War, the focus of trade agreements has been the reduction or elimination of tariffs on imported goods. These reductions or eliminations that have resulted from both bilateral and multilateral trade agreement, starting with the GATT in 1947, have been extremely beneficial to U.S. exporters in that they have leveled for U.S. exporters to compete against local producers in foreign markets. Tariffs are, in fact, the number one barrier to trade and trade agreements should continue to focus on them.

Non-Tariff Trade Barriers

The tendency of trade agreement to focus on reducing and eliminating tariffs, however, while certainly vital, has resulted in an increased focus on non-tariff trade barriers. The temptation of protectionism is a constant. As more countries enter into free trade agreements and as a result reduce or eliminate their tariffs, non-tariff trade barriers have become the protectionist tool of choice. These barriers include such matters as customs facilitation and procedures, local product standards, intellectual property protection, packaging and marking requirements, consumer product health & safety requirements, just to name a few. While it may be argued that these barriers in of themselves are an essential exercise of the inherent police powers of government (to regulate for the health, safety and welfare of a society), the problem when it comes to trade is that these barriers are often applied *discriminatorily* against foreign producers exporting to that country and in fact are often designed solely for the purpose of either keeping imports out of that country or making it very difficult for foreign exporters to compete against local producers.

Real World Examples of Non-Tariff Trade Barriers Faced by Small Business Exporters

A few real world examples can be cited to illustrate the nature of these barriers and their effect on small business exporters. International Chem-Crete Corporation, a Texas corporation, produces construction materials that it exports around the world. One of the prevailing standards for this company's industry are the standards promulgated by ASTM International for materials, products, systems and services used in construction, manufacturing and transportation. The implementation of these standards by any country makes perfect sense as these standards are internationally recognized for their role in producing high quality products and services. While International Chem-Crete produces its construction materials according to the applicable ASTM standards, it often finds that many countries to which it has targeted for exports have local standards that differ from the internationally recognized ASTM standards. The only rational explanation for this fact is that these countries maintain these local standards in an attempt to raise the costs of foreign producers exporting to that country, which costs invariably result due to the necessity of product modifications required to be able to meet such local standards for sales into that particular market. International Chem-Crete also has to deal with the EU REACH regulations for its sales of chemical-related products by foreign-owned companies into the European Union (these regulations do not apply to EU-owned companies). This is true in spite of the fact that International Chem-Crete has even set up a local production facility in Slovakia for the purpose of supplying the EU market. the EU REACH regulations are a clear example of a non-tariff trade barrier designed to protect local industry from foreign competition.

A second real-world example is that of a small business exporter in Nevada that produces a paint coating that protects against and reverses rust oxidation which it presently exports to several

countries and regions. This company has patents covering its product formulas but, as often is the case in these situations, has not disclosed in its patents all of its proprietary technologies in order to prevent reverse engineering of its products. As a result, the maintenance of its non-publicly disclosed proprietary technology as trade secrets is vital to the success of its business. A major component of this company's export strategy is to license its technology through patent and trade secrets licenses for production of its products in local markets. The prevention of the theft or unlawful disclosure of its trade secrets in a such local markets is crucial due to risk of reverse engineering. As any company who has ever deal with trade secrets issues will tell you, the only even partially effective legal remedy against a theft or unlawful disclosure of trade secrets is an injunction enjoining a party from using such secrets and even then the effectiveness of this remedy is often questionable. The challenges to exporters regarding the theft or unlawful disclosure of their trade secrets in their export markets is a hugely significantly and growing problem. The Commerce Department has stressed the importance of this issue in what it is calling a "Strategy to Mitigate the Theft of U.S. Trade Secrets". While much of this strategy is targeted at thefts of trade secrets by foreign parties that occurs in the United States, the point has been made that a prevention of the loss of trade secrets is more and more being seen as critical component of the international competitiveness of the U.S. economy. This is not only true for a loss of trade secrets in the U.S., but also in other countries. The non-tariff trade barrier in this instance is the lack of an effective remedy in many countries, such as injunctive relief, for the consequences of a theft or unlawful disclosure of a trade secret. If American exporters are unable to obtain remedies such as injunctive relief in foreign markets for a theft or an unlawful disclosure of their trade secrets, it will greatly reduce their willingness to do business in such markets where their trade secrets may be at risk.

A third real-world example is that of another small business exporter from Illinois. NOW International is a producer and world-wide exporter of various health and food products. As an example of the barriers it faces, NOW International is subject to food laws which differ from region to region. For example, for any fish product such as omega 3 oils, cod liver oil or shark cartilage, in many countries it will need to register such products in order to obtain a veterinary certificate. The same holds true for its dairy products. In some instances it has taken more the 7 months to complete the process to obtain a registration number and an accompanying certificate. Fortunately, NOW International has been in the financial position where it was able to wait until these certificates were issued. Had it not been able to do so, it was looking at the loss of over a million dollars in business in 2013 alone. Many other U.S. companies in the same industry may not be in the financial position of being able to wait until such certificate are issued and therefore will lose export sales. Another barrier specific to NOW International's industry is the implementation of an EU Directive by the European Food Safety Authority. This directive is arguably designed to keep American companies out of the market.

Again, the point needs to be made that while government regulations in all countries are all too often a fact of life that businesses of all sizes and types have to deal with, when it comes to trade many of these regulation are not designed or implemented for legitimate or rational reasons but merely are used to create non-tariff trade barriers for the purpose of discriminating against foreign producers and exporters.

Effect of Non-Tariff Trade Barriers on Small Business Exporters

While non-tariff trade barriers are damaging to all American exporters, this is particularly true for our small business exporters. Large companies have the resources to hire teams of specialist that can manage the requirements imposed by these barriers and often have the requisite cash flow necessary for the time it takes to overcome such barriers. An example of this can be illustrated by the experiences of Dallas-based Mary Kay, Inc., who is famous worldwide for its beauty products. One of its core strategies is establishing local production facilities in many of the countries in which its products are sold. Much if not most of the components of the end products produced in those countries, however, are exported from the U.S. to those countries. Brazil is infamous for using customs procedures to make it difficult to export to Brazil. While products can eventually clear Brazilian customs, getting them to do so is often onerous and time-consuming. Although it is very frustrating and expensive, a large, multinational company like Mary Kay has the resources and patience to eventually get its end product components through Brazilian customs as it is an integral part of its international business strategy. Small businesses, however, do not have such resources and have limited patience due to the nature of their business. Quite often they are operating on paper-thin margins and have very limited cash flow. Rather than dealing with the hassles of getting their products into a country such as Brazil where they face customs delays which results in having to wait for payment by customers to whom they provided trade credit, they often will just refrain from exporting to such a country even though there is a demand for their products in that country.

Non-tariff trade barriers are perhaps the number one impediment to the increase in small business exports for the United States. The reduction or elimination of these barriers must be addressed if America's small businesses are to increase their exports and market shares in the reality of the global marketplace in which they operate.

The Need for Inclusion of Non-Tariff Trade Barriers Provisions in Trade Agreements

The U.S. at present is close to completing a multilateral trade agreement, the Trans-Pacific Partnership, and is on the initial stages of negotiating a trade agreement with the European Union, the Trans-Atlantic Trade and Investment Partnership. It is essential that these agreements, along with future trade agreements, have provisions that substantially deal with non-tariff trade barriers. In recent years there has been a trend to include such matters as labor provisions and environmental protections in trade agreements. While there are disagreements over the merits of having such matters in trade agreement, these matters are less important than the inclusion of non-tariff trade barriers provisions in trade agreement as they do not specifically deal with trade issues and would be better left to treaties that focus specifically on such matters. Non-tariff trade barriers, on the other hand, directly affect the ability to engage in trade and are vital components of future trade agreements.

At present, unless a non-tariff barrier falls under the coverage of a trade agreement of some nature, which does provide the U.S. government a means to ultimately legally challenge such barriers if commercial diplomatic negotiations to eliminate such barrier fails, commercial diplomacy is in fact the only recourse. While the enforceability of trade agreements through the WTO or other means may be uneven, the fact that a trade agreement includes provisions to reduce or eliminate non-tariff trade barriers—such as standards barriers, for example—makes it far more likely that such barriers will be successfully challenged due to legal remedies than having to rely

solely of the good graces of U.S. commercial diplomacy, valuable though it is. It is imperative, therefore, that, ongoing and future negotiations on trade agreement stress not only tariff reduction and elimination but also non-tariff trade barriers reduction and elimination. While trade agreement provisions reducing or eliminating non-tariff trade barriers will help all U.S. exporters, they will particularly help small business exporters proportionally more.

Trade Promotion Authority Renewal

The last several years have seen trade agreement being approved by the United States at a snail's pace for various reasons, most of which have been political in nature. One of those reasons has been the expiration of Trade Promotion Authority (TPA). The National District Export Council over three years ago passed a Resolution supporting the renewal of TPA. This renewal is crucial for several reasons. First, the U.S. is not in a position to have 535 members of Congress negotiate international trade agreements. The U.S. needs to speak with one voice in negotiating these agreements. Secondly, TPA historically has worked very well in providing an effective means for the U.S. to negotiate trade agreements. Third, the interests of the United States when it comes to trade should be bi-partisan in nature. TPA helps to achieve that objective. And finally, and perhaps most importantly of all, the U.S. is falling behind other nation in entering into trade agreements, which thereby putting its exporters at a competitive disadvantage versus U.S. trade competitors. The tardy and belated enactment of the Korea, Panama and Colombia FTAs cost U.S. exporters lost sales in the millions of dollars. TPA renewal will help to ensure that this does not happen again.

Additionally, TPA in no way limits the Constitutional authority of the Congress to approve trade agreements. Rather, it only gives the Executive Branch the power to negotiate these agreements, not approve them. If Congress is concerned that trade agreements contain certain provision, such as those I have recommended regarding non-tariff trade barriers, it can under TPA for a particular agreement broadly require that such provisions be included while leaving to the Executive Branch the negotiation of those particular provisions.

Renewal of Trade Promotion Authority would be beneficial to all American exporters as it would increase the number of trade agreements the U.S. enters into and would do so more quickly. This renewal should be part of any small business trade agenda that the U.S. Congress develops.

In conclusion, small business exporters face unique challenges among exporters to their profitability and success. While, fortunately, the opportunities in exporting have never been greater, those opportunities to a significant degree will depend in part upon a trade policy agenda by the 114th Congress that is forward looking and address these challenges.

Federal International Trade Function Reorganization

There have been in the last few years various proposals floated to create a unified single trade agency. While the National District Export Council has not taken a formal position on this issue, as a general matter it is concerned that any reorganization that is done may perhaps negatively impact the trade position of the United States and also may perhaps negatively affect the export assistance that the federal government currently provides to American exporters. Any

reorganization that is done needs to be carefully thought out and done not for political or budgetary reasons.

One possible alternative to a major reorganization that creates a single federal wide trade Department would be to merely combine all of the international trade functions of the Department of Commerce in to a new Department of International Trade, yet leaves intact the USTR, the U.S. Export-Import Bank and other trade functions outside of the Commerce Department as they presently exist. In essence, this would merely be a rationalization of the Commerce Department present international trade functions, which now exist in several Commerce constituent agencies, and would create a Department that is focused singularly on trade rather than the multi-focus that the Commerce Department currently has. Historically, the Commerce Department has been an areas where the federal government has placed agencies that it did not know what else to do with. As a result, perhaps more than any other federal department, the Commerce Department has a multitude of governmental functions. Spinning off its international trade functions all into one new Department would not create any new federal bureaucracy since those functions already exist in current agencies and would also avoid the cross-Departmental culture clash that the Department of Homeland Security has suffered. While this alternative would also need careful consideration, it is arguably a better one than combining all of the U.S. federal agencies that have anything to do with trade into one big new Department.

IV. RECOMMENDATIONS

In summary, the following are recommended to be part of U.S. trade policy trade agenda:

1. Congress should pursue regulatory, legislative and tax policies that reduce or eliminate the negative impacts that these policies have on U.S. small businesses, including small business exporters, and specifically those regulations, laws and taxes that affects their proclivities to manufacture goods in the U.S., that limits their access to loans and investment capital, and that limits their ability to reinvest their retained earning back into their business operations, all of which damages small business profitability and job creation and which diminishes economic growth in the United States and improvement in the U.S. international economic position.
2. Congress should maintain an aggressive trade agenda that increases the number of trade agreements, both bi-lateral and multilateral, including the Trans-Pacific Partnership, a trade agreement with the European Union, and other new agreements;
3. Congress should require that new trade agreements have provisions, including enforcement mechanisms, that reduce or eliminate non-tariff trade barriers;
4. Congress should renew Trade Promotion Authority in order to expedite the passage of trade agreement to ensure that the United States is not falling behind other nation in entering into trade agreements and thereby putting its exporters at a competitive disadvantage;
5. Congress should enact reforms to the U.S. export control laws that simplifies both the administration by the federal government and the compliance by U.S. exporters with such export controls.



February 9, 2015

The Honorable Paul Ryan
Chairman
Committee on Ways and Means
U.S. House of Representative
Washington, D.C. 20515

The Honorable Sandy Levin
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman and Representative Levin:

On behalf of the 1,400 members of Outdoor Industry Association, I am pleased to submit a statement for the record for the January 27, 2015 Committee on Ways and Means hearing "U.S. Trade Policy Agenda" with United States Trade Representative Michael Froman.

The outdoor industry is recognized as a critical sector of our nation's economy, generating \$646 billion annually in U.S. consumer spending and directly supporting 6.1 million American jobs. Our members produce some of the most innovative products reaching all corners of the globe and enriching people's lives by supporting healthy and active lifestyles.

OIA's Trade Program represents the diversity of our membership, including outdoor companies whose products are conceived, designed, and produced in America and those companies that utilize global value chains to bring their products to retail markets. From some of the largest companies in the world, to small, family-owned businesses, we work to ensure that U.S. federal trade policy fosters and promotes a stable and predictable environment for all outdoor industry businesses, while seeking to lower costs for outdoor businesses and their customers.

International trade benefits U.S. importers and domestic manufacturers alike, creates new jobs, lower consumer prices and open new markets to U.S. exports. For its part, OIA pursues a "balanced trade policy" meaning that we only seek tariff eliminations on outdoor products that have no commercially viable domestic production, while for those products that are made in America, we promote federal policies that support U.S. manufacturers and help them transition to competition in a global economy.

As such, the Trans-Pacific Partnership (TPP) negotiations present a tremendous opportunity for the outdoor industry. Outdoor products sourced from abroad are among the most highly taxed when entering the United States despite the fact that they face no domestic competition: the average bound tariff rate on imported goods is less than 3 percent, but duties on outdoor products average 14 percent or higher, with some as high as 40 percent. We understand the challenges in negotiating an agreement that balances the needs of U.S. manufacturers and brands that conduct the research, development and innovation at home, but must manufacture their products abroad.

In that regard, we have offered USTR specific suggestions on how that can be accomplished in key areas as apparel and footwear. A “one-sized fits all approach” for apparel and footwear will lead to agreement that appeals to the lowest common denominator, resulting in tremendous lost opportunity for American workers and American innovation.

The duty savings from eliminating these disproportionately high tariffs on outdoor apparel and footwear produced in the TPP region will help lower costs for consumers, fuel innovation, and create jobs across the U.S.

Like the administration, OIA must balance the interests of importers and retailers who source apparel and footwear from abroad and domestic manufacturers. Our proposal on outdoor apparel and footwear in the TPP will help the administration bridge the gap among this diverse group of stakeholders and conclude a commercially meaningful, 21st century trade agreement. With the appropriate definition of products, rules of origin and market access terms can be designed in a manner that does not diminish the transitions needed for U.S. made products.

We understand the administration is committed to a “yarn forward” rule of origin at the core of its proposal on textiles and apparel, and we support that. Accordingly we have appreciated the opportunity to work with the administration on the Short Supply List of textiles and fabrics. Outdoor apparel products are highly innovative, incorporating multiple complex, highly technical fabrics. In fact, the outdoor industry is on the cutting edge of developing new fabrics not yet on the market. From a rules of origin perspective, we believe the Short Supply List goes a long way towards accommodating the innovation of the outdoor industry.

We believe the next logical, and non-controversial step would be to support the immediate elimination of duties on performance apparel products that use the Short Supply List. These products are not import sensitive and domestic textile producers have not opposed tariff elimination on them because there is no commercially meaningful domestic production. At minimum, we urge the administration to support classification breakouts for performance apparel as identified previously in legislation introduced by Senator Ron Wyden (D-OR).

At the same time, OIA has identified products that should receive a yarn-forward rule, and for which there is ample production in the U.S.

Like outdoor apparel, outdoor footwear is innovative and complex. Yet, these products often fall within the same tariff codes as import sensitive footwear. The outdoor industry is deeply concerned that a “one-size fits all” approach will be taken for 8-digit classifications of the Harmonized Tariff Schedule (HTS) that, due to outdated classification system, lumps together import sensitive footwear with non-import sensitive performance footwear. This is a particular concern for hiking shoes and boots, a critical segment of the outdoor footwear market. Our members have put a lot of time, energy, and investment towards developing new, innovative footwear products that attract new outdoor enthusiasts by providing protection against inclement weather.

The outdoor industry has identified certain performance footwear products that are not import sensitive to domestic manufacturers and should receive a tariff-shift rule of origin and immediate duty phase-outs. Congress has enacted most of these breakouts in the past through the miscellaneous tariff bills (MTBs) process after a thorough vetting by the administration. Failure to differentiate these products would be a tremendous lost opportunity, and in fact harmful to the outdoor footwear industry, U.S. consumers and the U.S. economy more broadly.

For those footwear products on the import sensitive list, OIA proposes a strict rule of origin (NAFTA rule) and maximum duty phase-outs.

As with other stakeholders, the outdoor industry will conduct a comprehensive review of a final TPP agreement to determine the benefits to outdoor companies and consumers.

In addition, any TPP agreement should also include tough, enforceable provisions on the environment and labor rights. Outdoor recreation companies are at the forefront of developing sustainable supply chains that protect the environment and ensure fair labor practices. The TPP represents a significant opportunity to advance those standards throughout the Asia-Pacific region. The final TPP agreement must:

- require all parties to adopt and maintain internationally recognized core labor standards and the provisions of multilateral environmental agreements (MEAs), and;
- these provisions should be subject to the same dispute settlement procedures as other enforceable obligations.

In order to conclude the TPP negotiations and other trade agreements, OIA understands that the administration must have Trade Promotion Authority (TPA).

OIA supports the principle of TPA because it puts the administration in the best position to secure trade agreements that could have substantial benefits for the outdoor industry by eliminating tariffs and non-tariff barriers and expanding access to global markets. Our trading partners are unlikely to make their best offer if they think Congress will alter the final agreement.

The outdoor industry also supports including additional outstanding trade items in a TPA package including:

- The US OUTDOOR Act: Soon be re-introduced in the House and Senate, the US OUTDOOR Act will create specific definitions and separate classifications within the U.S. Harmonized Tariff Schedule (HTS) for “recreational performance outerwear” and eliminate duties on those products. The Senate bill also includes the Sustainable Textile and Apparel Research (STAR) Fund that will support the research and development of sustainable textile and apparel supply chains. Recreational performance outerwear is highly technical and specialized apparel and should no longer be classified under the same HTS codes as ready made, mass market apparel. According to a 2007 study by the International Trade Commission (ITC), there is no commercially viable domestic production of recreational performance outerwear. Eliminating duties on recreational

performance outerwear will help lower prices, fuel innovation, and create jobs in the outdoor industry. It should be included in any trade package.

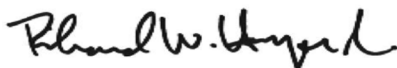
- **MTBs:** The outdoor industry strongly supports the renewal of the miscellaneous tariff bill (MTB) process. MTBs have suspended duties on certain imported products that are proven to have no competition from U.S. manufacturers. To date, twenty MTBs related to the outdoor industry have resulted in savings of more than \$30 million for outdoor companies, leading to more jobs, more innovation, and lower retail prices for outdoor enthusiasts. Failure to renew the most recent MTB and the tariff suspensions have forced outdoor companies to absorb cost increases as much as 40 percent, stifling economic growth and preventing more Americans from getting outdoors. The outdoor industry strongly urges Congress to provide for a clear and predictable MTB process in any trade package.
- **GSP Update Act:** The outdoor industry supports the renewal of the Generalized System of Preferences program and urges Congress to include the GSP Update Act in that initiative. This non-controversial piece of legislation simply allows for backpacks and travel goods, no longer made in the US, to be considered eligible for inclusion in that program.

Finally, we look forward to a TPA bill that includes strong consultation provisions and tough negotiating objectives on labor and the environment.

As leaders in the field of sustainable business practices and social responsibility, OIA supports such provisions as they could give the administration sufficient leverage to secure enforceable labor and environmental provisions in our trade agreements and ensure our trading partners match international standards.

OIA greatly appreciates the opportunity to submit a statement for this hearing and we look forward to working with Congress and the administration to support passage of TPA and TPP that will allow outdoor companies to lower costs for consumers, get more people outdoors, fuel innovation, and create more U.S. jobs.

Sincerely,



Richard W. Harper, Jr.
Policy Advisor
Outdoor Industry Association OIA



TELECOMMUNICATIONS
INDUSTRY ASSOCIATION

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January 27, 2015

The Honorable Paul Ryan
Committee on Ways and Means
1101 Longworth House Office Building
Washington, DC 20515

The Honorable Sander Levin
Committee on Ways and Means
1101 Longworth House Office Building
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Levin:

The Telecommunications Industry Association (TIA), the leading trade association for global manufacturers, vendors, and suppliers of information and communications technology (ICT), wishes to thank you for holding a hearing on the "U.S. Trade Policy Agenda" for 2015. With an ambitious trade policy agenda that includes the potential conclusion of the Trans-Pacific Partnership (TPP), TIA strongly supports the bipartisan renewal of Trade Promotion Authority (TPA) this year. Trade agreements like the TPP are critical to the telecommunications sector because they promote trade liberalizing, market-based, and technology neutral approaches in international markets, which facilitates U.S. exports and investment.

Global investment is increasing in both wireless and fixed broadband networks. This global trend includes the launch of long term evolution (LTE) 4G wireless networks, continued growth in smartphone penetration, and fiber deployments to enhance fixed broadband infrastructure. Each of these developments stems from a single underlying driver – the need for greater capacity to accommodate growing global data transmission demands. Driven by this need, the global telecommunications market for equipment and related services was valued at \$5.4 trillion in 2014 – with about 75 percent of the total marketplace located outside of the United States.

The bipartisan renewal of TPA is essential to increasing the nation's level of exports overall and to the growth of the U.S. ICT industry in particular. In addition, renewal of TPA presents the opportunity to address 21st century trade negotiating objectives related to digital trade and cross-border data flows, as well as the proliferation of localization barriers to trade. Moreover, experience shows that the effects of prior trade agreements on telecommunications equipment exports are both demonstrable and dramatic. According to *TIA's 2014-2017 ICT Market Review and Forecast*, although countries having trade agreements with the United States currently represent only 13 percent of the overseas economy, they account for 38.6 percent of U.S. exports in telecommunications equipment in 2013.

Updated TPA legislation will further strengthen the partnership between Congress and the Administration through enhanced Congressional oversight, transparency, and consultations, which will ultimately result in stronger trade agreements for the benefit of the U.S. economy and job creation. With active negotiations to conclude the TPP as well as to advance the Transatlantic Trade and Investment Partnership and Trade in Services Agreement, TPA renewal will send a strong signal to other negotiating parties on the priority the United States places on high-standard trade agreements that enhance trade liberalization and market access for U.S. industry.

We appreciate the attention of the Committee on Ways and Means on the Administration's 2015 Trade Policy Agenda because trade is critical to job creation and the expansion of the U.S. economy. In addition to the bipartisan renewal of TPA, we would also underscore that the United States must ensure that other countries live up to their obligations under the World Trade Organization or other agreements, and in particular, refrain from implementing localization barriers to trade, including requirements for the local storage or processing of data.

Thank you again for your work on these important issues related to the global competitiveness of the U.S. ICT industry, and we look forward to working with you to ensure that TPA is enacted in 2015. For more information, please contact Danielle Coffey at 703-907-7734 or by email at DCoffey@tiaonline.org.

Regards,

A handwritten signature in black ink, appearing to read "Scott Belcher", with a long horizontal flourish extending to the right.

Scott Belcher
Chief Executive Officer
Telecommunications Industry Association

A short, thick horizontal black line.



HOUSE WAYS AND MEANS

COMMITTEE HEARING:

U.S. Trade Policy Agenda 2015

January 27, 2015

STATEMENT FOR THE RECORD

SUBMITTED BY:

THE ADVANCED MEDICAL TECHNOLOGY ASSOCIATION (AdvaMed)

Introduction

The Advanced Medical Technology Association (AdvaMed) appreciates the opportunity to provide comments on the U.S. trade policy agenda for 2015 to the House Ways and Means Committee. AdvaMed represents approximately 300 of the world's leading medical technology innovators and manufacturers of medical devices, diagnostic products and medical information systems. AdvaMed members range from the smallest to the largest medical technology innovators and companies. AdvaMed is dedicated to the advancement of medical science, the improvement of patient care, and in particular to the contribution that high quality health care technology can make toward achieving those goals.

The medical technology industry is one of the few remaining manufacturing sectors of the U.S. economy with a positive net balance of trade (over \$6.3 billion in 2013), and the people who work in the U.S. medical technology industry depend on trade to ensure security, growth, and new opportunities. In fact, medical technology industry salaries are nearly 30% higher than the average U.S. salary because the industry employs so many highly skilled workers in the areas of research and development, manufacturing, sales and management. Nearly two million American jobs depend on the success of the medical technology industry – roughly 350,000 directly and 1.6 million indirectly.

Medical technology accounts for 3 percent of U.S. Gross Domestic Product. The United States exports over \$42 billion worth of medical devices annually. AdvaMed members supply medical technology to almost every country in the world. Opening markets and ensuring a level playing field are essential to the future growth of the U.S. medical technology industry.

Our industry supports the Administration's current trade agenda and recognizes the Ways and Means Committee's work to help push major agreements forward. We appreciate the committee's work with USTR on the negotiations on the TransAtlantic Trade and Investment Partnership (TTIP) and the TransPacific Partnership (TPP) and other elements of the Administration's trade agenda. We look forward to continuing to work with the Congress to secure support for strong, comprehensive free trade agreements.

Trade Promotion Authority

AdvaMed members support free trade and believe Trade Promotion Authority (TPA) is critical to guide and strengthen United States Trade Representative's objectives in trade negotiations. AdvaMed supports the early adoption of trade promotion authority outlining key negotiating objectives for U.S. free trade agreements. TPA should include procedures for Congress to consider as it addresses trade legislation. This will help ensure trade agreements are implemented in a fixed time period and without amendments.

TPP

The negotiations on a Trans-Pacific Partnership (TPP) Agreement provide a critical opportunity to deepen the U.S. commercial relationship with the vital Asia Pacific region. While the United States already has FTAs with several of the TPP countries, the negotiations with this broader bloc provide an important demonstration of U.S. trade policy and can expand and enhance the economic benefits in these agreements. This is also an opportunity to demonstrate the U.S.

commitment to strong FTA provisions.

AdvaMed strongly supports the inclusion of provisions in the TPP that would establish transparency and procedural fairness in the process by which national health care authorities establish reimbursement for medical devices. Such provisions would provide for a fair, predictable process that would limit disputes and enhance confidence in decision-making processes, thus contributing to good governance.

AdvaMed believes that in order to fulfill its promise as a high-level, 21st century trade agreement, the TPP agreement should include specific provisions to ensure full access to safe, effective, and high quality medical devices in order to advance public health and patient access. It is important for the TPP agreement to address non-tariff barriers affecting the medical device industry, especially non-transparent or discriminatory regulatory procedures. AdvaMed supports the inclusion in the TPP agreement of provisions that will ensure that members grant efficient regulatory approvals, while ensuring product safety.

TTIP

AdvaMed supports the negotiation of a comprehensive free trade agreement (FTA) between the United States and the European Union (EU), under the framework of the TTIP. We would like to see provisions addressing issues affecting our industry in US-EU bilateral trade and in trade with third countries.

Although the US and EU use different approaches to determine the safety and efficacy and/or performance, as appropriate of medical technology, studies have demonstrated that each system delivers similar results in terms of these basic objectives. AdvaMed supports cooperation between the regulatory agencies on both sides of the Atlantic as a way to promote understanding and reduce unnecessary regulatory burdens. Rather than attempting comprehensive “convergence” of these two systems, such as a mutual recognition agreement (MRA), we recommend focusing on specific areas of “convergence.” We have provided USTR an explanation of these issues.

We also believe that there should be improved transparency in the regulatory process in the EU. Stakeholders should be provided regulatory proposals while there is still a possibility of making meaningful changes – which is usually before the proposals are sent from the European Commission to the Parliament and Council. The Commission should be required to recognize such contributions – much in the way US agencies operate under the Administrative Procedures Act. This process would improve the regulatory process.

AdvaMed also recommends that TTIP include a regular dialogue between the U.S Food and Drug Administration (FDA) and DG Internal Market, Industry, Entrepreneurship and SMEs (GROW), involving USTR and U.S. Department of Commerce, to exchange information on regulatory measures being considered by either party that could impact trade and determine areas for additional “convergence.” In advance of these meetings, industry would be consulted to provide their views on regulators’ proposals. This dialogue could be held under provisions similar to Korea-US FTA, but strengthened to ensure that future measures be explicitly discussed and industry has the opportunity to comment on non- confidential proposals and has access to the results of such meetings.

In addition to regulatory cooperation, we urge both governments to address the following issues in the context of a comprehensive Free Trade Agreement. We have provided USTR our views on the eliminating border tariffs, improving Customs procedures, enhancing the single market in the EU for medical technology, reducing late payments to our members, and including provisions on transparency and procedural fairness in Member States' reimbursement systems.

Our industry faces an array of issues outside the US and EU. Our member companies source many of their products sold globally from the US and/or the EU. Therefore, governments in both the US and EU should be interested in ensuring that medical technology companies are treated fairly by third country governments. We ask that the TTIP include provisions that encourage the relevant agencies to work on behalf of our medical technology firms. We have provided USTR with a list of specific areas for cooperation on third country issues.

Conclusion

Trade liberalization through the conclusion of TTIP and TPP would enhance economic growth and improve the quality of life for millions of patients in Europe, Asia, Latin America, and the US. The adoption of trade promotion authority that guides and strengthens USTR's negotiating objectives is critical for the early conclusion of these agreements. We hope the Administration and Congress will work together to accomplish these very important objectives.



Testimony to House Ways & Means Committee on Trade Promotion Authority (TPA)

February 9, 2015

To the House Ways and Means Committee:

I'm pleased to see the House Ways and Means Committee taking steps forward to approve Trade Promotion Authority (TPA). This is the first real action supporting free trade agreements in years. I want to make sure the Members of Congress who are voting on TPA understand the importance of international trade to my business's bottom line.

With Congress reviewing the TPA I hope they will take the time to consider how important it is that intellectual properties are protected. I grew up in a very left-brained world where a series of rules or steps were that was required to achieve success.

Our children and grandchildren are growing up in a very different, right-brained world where they learn and express themselves creatively and visually. Today more and more occupations are creative, entrepreneurial and artisanal.

Yet, our laws do little to protect the creative contribution that as much so many new occupations in our new economy require. In December, the US Bureau of Economic Analysis, in partnership with the National Endowment for the Arts released a report on the Impact of Arts and Culture in the US Economy. Their latest findings put the annual contribution of goods and services at \$504 Billion of the current GDP (2011), 30% more than the travel and tourism sector to the GDP.

From my own experience, I know that this is only a small fraction of of the exploding creative economy. We have proof from online sources that there are millions of micro-enterprise, home-based businesses that are never counted in government statistics.

A large majority of these business owners are female, home-based manufacturers, and as part of the sandwich generation they are also caretakers of parents and children. They are part of the "informal economy." They are a struggling new middle class with obstacles that only government can remove.

As we expanded our free trade agreements over the last three decades some of the laws that protected our domestic small manufacturers have suffered from neglect and lack of enforcement.

At the latest New York International Gift show less than 60% of the products that I touched had any "Country of Origin" marking. Of the marked products I found, less than 10% were marked in an indelible or permanent manner as directed by Title 19, Chapter 1, Part 134 of the US Code.

This change of practice and weaker trade laws has led to rampant fraud in tourism areas, our national parks, Smithsonian Museum stores and even small town Main Streets throughout our country where stickers are removed from imports with the intent to deceive tourists seeking authentic artisan made or tribal souvenirs. The Attorney General of New Mexico estimates that as much as 50% of the tribal souvenirs sold in the state are counterfeit. Today the Navajo nation suffers from 43% unemployment, most of the unemployed are silversmiths.

Creative businesses, the individuals and the products or designs they create are a tangible asset that can be protected with very little effort or expense. All that is required is a directive from Treasury that would reinstate the requirement for permanent and indelible marking of Country of Origin on all finished products.

This action, must be supported by spot enforcement at our ports and trade shows by ICE officers. I thank you for your time and hope that you can help protect the designs of millions of designers and artisans from Intellectual Property fraud.

Thank you for your consideration.

Wendy Rosen, Founder
The American Made Show and American Made Alliance.
www.AmericanMadeShow.com
www.AmericanMadeAlliance.org

3000 Chestnut Ave #104 Baltimore, MD 21211
410.262.2872





February 10, 2015

Ways and Means Committee Office
1102 Longworth House Office Building
Washington D.C. 20515

To the House Ways and Means Committee:

I'm pleased to see the House Ways and Means Committee taking steps forward to approve Trade Promotion Authority (TPA). This is the first real action supporting free trade agreements in years. I want to make sure the Members of Congress who are voting on TPA understand the importance of international trade to my business's bottom line.

As an exporter to Ghana, South Africa, Cote d'Ivoire, and Nigeria, the trade policy of the United States has a direct impact on my business and employment. I depend on FTAs for me to be competitive on the global scale within the markets I operate; otherwise I will be outmatched by other international companies.

I hope you and your committee will support international trade agreements.

Thank you for your consideration.

Sincerely,

Carl Powell
Principal
The Integral Group



Fact Sheet: Small Business Global Development Policy

TRG's Vision for a 21st Century Trans-Pacific Partnership Free Trade Agreement (TPP)
Focus On: U.S. Small Businesses Growth and the Peer-to-Peer Business Model (P2P)

To the House Ways and Means Committee:

The Reddix Group (TRG) advocates a Trans-Pacific Partnership Free Trade Agreement (TPP) policy focused on sustainable business outcomes that places a premium on broad-based economic growth, democratic governance, game-changing innovations, and sustainable systems for meeting basic human needs. TRG believes a comprehensive TPP policy must advance and promote economic security, prosperity, respect for universal values, and a just and sustainable international order.

Therefore, TRG developed a game-changing policy designed solely at taking small businesses global. TRG created a revolutionary and disruptive Peer-to-Peer (P2P) Business Model where the "Network is the Prime." P2P is ideally suited to meeting the vision and requirements outlined in the TPP.

Our approach is a global game-changer and represents a paradigm shift in global free trade because it offers the world's economies an alternative to the current Prime Contractor-Subcontractor model which is the way business is conducted today. Below are links to the PM World Journal website that documents TRG's disruptive and novel approach to business:

<http://pmworldjournal.net/article/an-alternative-to-the-prime-sub-prime-model/>

<http://pmworldjournal.net/wp-content/uploads/2014/07/pmwj25-aug2014-reddix-alternative-to-prime-subprime-model-SecondEdition.pdf>

Joseph Reddix is TRG's Founder and CEO. Joe was recently interviewed by Information Week. He is quoted extensively in the article below.

<http://www.informationweek.com/government/leadership/government-it-priorities-security-reigns-cloud-crawls/d/d-id/1297449>

Joe Reddix is an acknowledged expert on IT policy and is a certified project manager (PMP). The Federal Government's preferred approach for implementing its Acquisition Strategy as enunciated in the Federal Acquisition Policy System using small Integrated Program Teams is grounded in concepts developed, articulated, and pioneered by TRG. In addition, TRG sent several policy documents to the Federal CIO, CTO, and to the Senate Minority Leader that describe the advantages of TRG's revolutionary and disruptive P2P business model and how efficiencies and enormous savings in costs, work processes, and workforce reallocation can be achieved. The McKinsey Group projects annual consumption in emerging markets will reach \$30 trillion – a historic level of economic growth. The future is exceedingly promising where the "Network is the Prime." Also, we feel our "There is no Box" approach represents the kind of fresh innovative thinking needed by the TPP to take maximum advantage of this \$30 trillion market. It should not come as a surprise to anyone that a small business like The Reddix Group originated and pioneered "The Network Is The Prime" methodology and the Peer-to-Peer Business Model. U.S. small businesses have long been the engine that drives cutting edge innovation in the United States.

In closing, let me say that TRG applauds the steps taken by the House Ways and Means Committee to approve the Trans-Pacific Partnership Free Trade Agreement. As a small business that specializes in IT, United States trade policy has a direct impact on my company's bottom line. We are always looking to use our Peer-to-Peer Business Model to expand into emerging markets using our unique brand "Our Network Is The Prime" paradigm, and a more open business-oriented Trans-Pacific Partnership Free Trade Agreement better facilitates our business growth and expansion.

I hope you and your committee will support international trade by approving passage of the Trans-Pacific Partnership Free Trade Agreement.

Thank you for your consideration.

Sincerely,
Joseph Reddix
President and CEO, The Reddix Group

Where Is the Common Ground on Trade Policy?

Linda Schmid, Trade in Services International,¹ January 15, 2014

The US is working with trade partners to shape global trade rules with high quality trade agreements.¹ The challenge for the US is to design agreements that create a framework for prosperity. There is common ground across the political spectrum on certain priorities in US trade policy coupled with domestic reform to create a 21st century economy that returns growth to real wages and expands employment. Rigorous enforcement of trade rules, investment in physical infrastructure, boosting US trade in services exemplify shared priorities. Those who engage in the development of intellectual property in industrial processes, software, and entertainment span the political spectrum and support strong intellectual property rights protection. Increased transparency and greater availability of detailed trade data would also build confidence in the US trade regime. High quality trade agreements enable the US to work constructively with trading partners to design and implement a rules based trade relationship supported by a combination of technical cooperation, dispute settlement, and enforcement.

Across the political spectrum, enforcement of trade law and existing trade agreements is a priority. The US is active on multiple fronts monitoring and enforcing trade law and bilateral, regional, and multilateral arrangements. The Office of the US Trade Representative, reports annually on enforcement actions.² For example, the US has filed 103 complaints in the World Trade Organization (WTO) on manufacturing, intellectual property, agriculture, and services since 1994. The US also uses Section 301 of the Trade Act of 1974 to investigate foreign practices that hinder the US in the global economy. For example, in 2013, the US had a total of 294 antidumping and countervailing duty orders in place: 123 for China, 23 for the EU, and 23 for India.³ The US is active on enforcement of labor provisions in Bahrain, Bangladesh, Colombia, Guatemala, Haiti, and Peru. On enforcement of environmental provisions, the US is active in Central America, Chile, Colombia, Panama, and Peru. The US has a track record of consistent enforcement.

Table 1: Sample of US Enforcement Actions

World Trade Organization:	103 complaints filed since 1994	29 disputes settled favorably	41 litigated with the US prevailing
294 antidumping & countervailing duty orders in place in 2013:	123 for China	23 for the EU	23 for India
Enforcement of labor provisions:	Bahrain, Bangladesh, Colombia, Guatemala, Haiti, & Peru		
Enforcement of environmental provisions:	Central America, Chile, Colombia, Panama, & Peru		

Sources: 2014 Trade Policy Agenda and 2013 Annual Report & 2014 WTO, Trade Policy Review, Report by the Secretariat, United States, WT/TPR/S/307.

¹ Negotiations are underway for the Transatlantic Trade and Investment Partnership (TTIP), the Trade in Services Agreement (TiSA), and the Trans-Pacific Partnership (TPP).

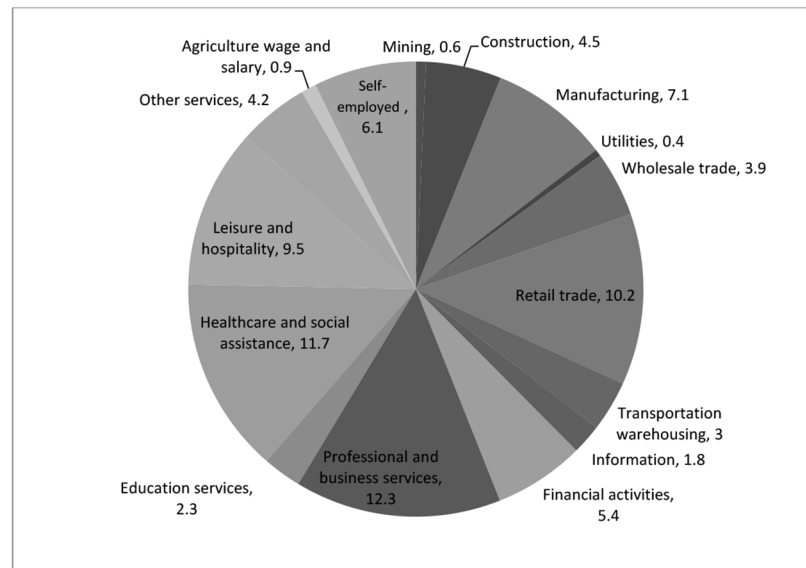
² 2014 Trade Policy Agenda and 2013 Annual Report of the President of the United States on the Trade Agreements Program

³ 2014 WTO, Trade Policy Review, Report by the Secretariat, United States, WT/TPR/S/307.

Political parties recognize the US must invest in physical infrastructure for prosperity in the 21st century. A trade agenda that creates prosperity depends on high quality domestic infrastructure. The 2007 collapse of the I-35W bridge in Minnesota, drew attention to shortcomings in physical infrastructure investment across the US. The American Society of Civil Engineers 2013 Report Card for America's Infrastructure evaluates the condition of airports, bridges, dams, drinking water, energy, hazardous waste, inland waterways, levies, ports, rail roads, solid waste, transit, and wastewater systems. Most if not all infrastructure systems earn a C or D. Whether through direct federal financing, public-private partnerships, or an infrastructure development bank, the US must create grade A infrastructure to compete in the global economy. Infrastructure investment will create gains in growth, productivity, and employment.

Eliminating foreign barriers to trade in services is a high priority. Today over 70% of US workers are employed in service industries (figure 1). Almost every service sector experiences international trade, either by the provision of services abroad, or the consumption of services in the United States by a foreign traveler, business person, or company. For instance, tourists, foreign medical patients, and foreign students consume a variety of services while in the US. Service industries will grow with the reduction of trade barriers.

Figure 1: 2012 US Employment % by Major Industry Sector



Source: US Bureau of Labor Statistics, Employment by Major Industry Sector, 2013.

For over a decade, the US has experienced a positive trade balance in services, which on average account for 30% of total exports and 15% of imports. In 2013, US service exports were robust in travel, transportation, information technology, and financial services (table 2). Professional and business services represent a fast-growing sector that faces substantial barriers in foreign markets. In 2013 exports amounted to 55 billion in this sector. US R&D services are also in high demand with exports totaling 30 billion in 2013. The US insurance industry is a formidable global competitor with 16 billion in exports in the same year. US architects and engineers are competitive internationally with exports of 12 billion in 2013. Breaking down barriers to trade in services will expand service industry exports.

Table 2: 2013 Service Industry Exports in USD Billion

Service Sector	Exports USD Billion
Travel services	173
Charges for the use of intellectual property rights	129
Transportation services, such as, sea, air, and postal or courier services	87
Legal, accounting, business management, public relations, & advertising	55
Telecommunications, computer and information services	33
Research and development services	30
Insurance services	16
Architectural and engineering services	12

Source: The Bureau of Economic Analysis, [US Trade in Services, by Type of Service, 2013](#).

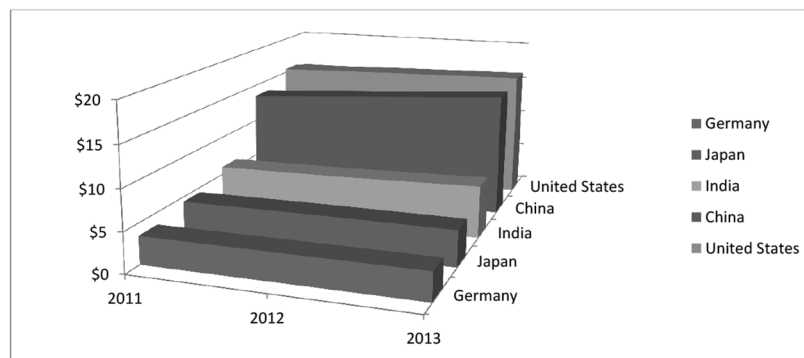
The United States has a relatively open services economy; however, US firms face substantial barriers abroad. The [OECD service trade restrictiveness index](#) compares the openness of countries in, for example, architecture, broadcasting, transport, courier, construction, and computer services. Many trading partners have significant trade restrictions in services. For example, Poland, Turkey, and India maintain significant restrictions in accounting. The US maintains restrictions on foreign investment in telecom; however, they are limited compared to restrictions maintained in Indonesia, China, and India. Similarly, the insurance sector is highly restricted in India, Indonesia, China, and Brazil compared to the US. Reduction of foreign trade barriers will enable US service firms to grow.

Protection of intellectual property rights is a high priority. Creators of intellectual property, such as, industrial processes, computer software, movies, and broadcasting, benefit from trade in intellectual property rights. In 2013, charges for the use of intellectual property rights exceeded USD 129 billion (table 2). This trade benefits large and small firms. For instance, the audiovisual industry is fragmented with a large number of micro, medium, and large production companies. Large firms rely on a network of medium and smaller firms to produce creative content. Thus returns on intellectual property rights flow to even the smallest firms. In 2010, “IP intensive industries supported 40.0 million jobs (or 27.7% of all jobs) directly and indirectly through a supply chain that stretches across the economy.”⁴ Protection of intellectual property helps the US benefit from intellectual property originating from creativity, knowledge, and innovation.

⁴ Economics and Statistics Administration and United States Patent and Trademark Office, [Intellectual Property and the US Economy: Industries in Focus](#), 2012.

Transparency and trade data are fundamental to assessing trade policy. Trade agreements are complex and in some instances counterintuitive. The US must do more to share principles and priorities of trade negotiations online through dynamic websites that are up-to-date, searchable, and provide access to relevant trade data. A critical element of appreciating the US position in the global economy is economic and trade data. The online presence of US statistical agencies should be bolstered to ensure that US trade data is readily available, searchable, provides illustrative graphics, and is sufficiently detailed at the state level. This is particularly true for trade in services data. US statistical agencies require state-of-the-art technology platforms to share data real time. This will help citizens grasp the scope of the US economy, the breadth of US trade, and the important role the US plays in shaping rules that govern trade.

Figure 2: Comparison of economies in GDP, PPP (constant 2011 international \$ trillion)⁵



Source: The World Bank, World Development Indicators (created on 01/14/2015)

The US has a responsibility to shape global trade rules as one of the largest economies in the world. The challenge for the US and its trading partners is to design agreements that create a trade framework for prosperity. The US remains active in the World Trade Organization and is at the forefront in designing trade arrangements for the 21st century. Together with Europe, the US has the opportunity to set the global standard for rules and regulations governing EU US trade under the Transatlantic Investment Partnership. In services, the US is working with trading partners to shape a new services agreement fit for a 21st-century economy. The Trans-Pacific Partnership (TPP) will deepen trade in the fast growing Asia-Pacific. High quality trade agreements are a primary element of building a US economy for the 21st century.

¹ Linda Schmid is International Trade and Development Adviser at Trade in Services International <http://www.tradeinservicesinternational.com/> (Email: lschmidc@gmail.com, Skype: ls_trade1). She previously served as the World Trade Organization (WTO) Component Leader of the USAID Investment Climate Improvement Project in the West Bank. She acted as the Trade in Services Officer, International Trade Centre in Geneva. She is a contributing author to *International Trade in Services: New Trends and Opportunities for Developing Countries*, World Bank 2010 as well as *Managing the Challenges of WTO Participation*, Cambridge University Press 2005.

⁵ PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates.

STATEMENT FOR THE RECORD



UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS

STATEMENT FOR THE RECORD

RE: Hearing on U.S. Trade Policy Agenda for 2015: January 27, 2015

House Committee on Ways and Means

Submitted via email

February 10, 2015

The United States Council for International Business (USCIB) strongly supports an ambitious, proactive U.S. trade agenda to advance our national economy and promote American business at home and abroad. USCIB, as a trade association representing over 300 multinational corporations, associations and law firms, works with our members in policy areas spanning trade and investment, customs and trade facilitation, environmental issues, information and communications technology, intellectual property rights, product policy, agriculture, tax and much more. As the American affiliate of the International Chamber of Commerce (ICC), the Business and Industry Advisory Committee to the OECD (BIAC), and the International Organization of Employers (IOE), we advocate for open trade on behalf of U.S. business in the World Trade Organization (WTO) and other intergovernmental bodies.

USCIB and its member companies are committed to strengthening a rules-based global trading and investment system through further opening of international markets, continuing trade and investment liberalization, and removing barriers American companies face around the world. To that end, the USCIB 2015 Trade and Investment Agenda along with the USCIB 2015 Customs and Trade Facilitation Priorities and Goals outline five areas for action by our members to advance these goals:

- Press for an ambitious U.S. trade agenda that improves access to major economies and addresses emerging protectionist policies.
- Promote global investment policies that open markets and level the playing field for U.S. companies.
- Support efforts by the WTO to rebuild confidence and credibility through concrete action on specific negotiations.
- Leverage USCIB international platforms to build global business support for addressing key trade and investment policy concerns.
- Streamline trade at the borders by actively supporting Customs Reauthorization legislation and implementation of the WTO Trade Facilitation Agreement.

USCIB and its members look forward to working with the Obama Administration, especially U.S. Trade Representative Ambassador Froman and his team; the Congress; business; other stakeholders, and governmental organizations to realize our mutual goals of growing the American economy and creating jobs. Specifically, USCIB looks forward to working with USTR and the Administration on completing the TransPacific Partnership (TPP), substantially advancing negotiations in the Transatlantic Trade and Investment Partnership (TTIP) with the European Union, concluding the Trade in International Services Agreement (TiSA), and working with growing trading partners such as China to conclude Bilateral

STATEMENT FOR THE RECORD

Investment Treaties (BITs). We have been active in providing stakeholder input on these efforts, in policy recommendations, through letters and in meetings with negotiators.

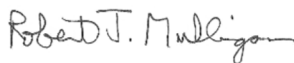
Most urgently, USCIB and our members believe that Trade Promotion Authority (TPA) legislation must be approved by Congress early in 2015. TPA is critical to moving forward on the trade agreements listed above with guidance on important negotiating objectives articulated by Congress. TPA would enhance America's competitiveness in the global economy as well as strengthen our commercial and strategic relations around the world. USCIB has been advocating passage of this legislation and will continue to employ its resources to achieve this objective. Additionally, we believe the passage of customs reauthorization is critical to the facilitation of trade and ensuring a faster clearance of goods at the border.

In addition to supporting a strong U.S. trade agenda, USCIB believes that multilateral approaches to trade can be the most effective means for opening global markets and leveling the playing field for U.S. companies. Directly and through our international affiliate organizations, USCIB supports a strong WTO. Successful ratification and implementation of the Trade Facilitation Agreement will provide a major boost to the work of the WTO and we are leading private sector engagement with the relevant government agencies to ensure a swift and positive outcome. We are also leading U.S. business efforts in support of completing the Environmental Goods Agreement this year in the WTO and we continue to support the conclusion of the Information Technology Agreement expansion. Success in these agreements along with progress on a post-Bali agenda would rebuild confidence in and the credibility of the WTO.

Through U.S. trade negotiations, the work at the WTO, and other international venues, USCIB will seek to address a growing list of trade and investment barriers that its members encounter globally such as: localization requirements, restrictions on the cross-border flow of data, regulatory impediments, unfair competition from state-owned enterprises, and customs-related challenges at the border. USCIB will leverage its unique relationships with the ICC, BIAAC, and IOE to coordinate our efforts with business associations in other countries to address these issues with governments in other countries as a complement to our work with the U.S. government.

More details on the priorities and workplan for USCIB are included in the full USCIB 2015 Trade and Investment Agenda and key sections of the USCIB 2015 Customs and Trade Facilitation Priorities and Goals which we include as an attachment for the record.

Sincerely,



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Global Business Leadership as the U.S. Affiliate of:
International Chamber of Commerce (ICC)
International Organization of Employers (IOE)
Business and Industry Advisory Committee (BIAC) to the OECD
ATA Carnet System

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UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS

USCIB Global Trade and Investment Agenda 2015

The United States Council for International Business (USCIB) is committed to strengthening a rules-based global trading and investment system through further opening up of international markets, continuing trade and investment liberalization, and removing barriers American companies face in doing business around the world. In 2015, our USCIB Trade and Investment Agenda will build on the work done in 2014 to move many trade and investment initiatives important to USCIB member companies forward, as well as address emerging sets of practices that have the potential to and/or are increasingly creating trade friction.

USCIB's Trade and Investment Agenda will work hard to bring a number of trade initiatives, where the U.S. is an active participant, to successful closure while substantially advancing others, including: reaching bi-partisan agreement on Trade Promotion Authority (TPA) legislation, completing the Trans-Pacific Partnership (TPP) negotiations and getting Congressional approval, finalizing the agreement on expansion of the Information Technology Agreement (ITA), making significant progress on the Trans-Atlantic Trade and Investment Partnership (TTIP) and Trade in International Services Agreement (TiSA) negotiations, continuing to move the World Trade Organization (WTO) forward in positive ways such as implementation of the Trade Facilitation Agreement (TFA) concluded in Bali, and supporting efforts to continue to negotiate a high-standard U.S.-China Bilateral Investment Treaty (BIT).

Through our work on these trade and investment negotiations and our engagement with a wide range of intergovernmental organizations, the USCIB Trade and Investment Agenda will target many emerging policies and regulatory practices that are having a growing impact on members' business and global trade and investment flows. We will continue to educate policymakers on global value chains that are critical to business growth and advocate against policies that restrict the movement of goods, services, capital and people such as: localization barriers to trade, limitations on cross-border data flows, unfair support for state-owned or state-supported enterprises, customs and border impediments, mobility-related obstacles, inadequate anti-bribery enforcement, inadequate or eroding IP protection, and illicit trade.

While we will actively engage U.S. policymakers on the USCIB Trade and Investment Agenda, our members see a growing need to also engage policymakers and business leaders in other countries on the issues they are confronting in global markets. USCIB will seek to more effectively leverage its unique network of relationships with business groups in other countries that are best placed to influence the policymakers in their countries. As the U.S. industry representative to the International Chamber of Commerce (ICC), the Business and Industry Advisory Committee to the OECD (BIAC), and the International Organization of Employers (IOE), we already work closely with the foreign business groups in these organizations but will look to expand the scope of our cooperation in addressing the key trade, investment and regulatory opportunities to better facilitate global growth and competitiveness.

Growing trade and investment can generate much needed economic growth and job creation in the United States and around the world if policymakers take the steps needed to address

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barriers to trade and investment. The USCIB Trade and Investment Agenda sets out a framework for continuing to open markets in 2015.

1. Press for an Ambitious U.S. Trade Agenda that Improves Access to Major Economies and Addresses Emerging Protectionist Policies

Short Term (6-12 months) –

- TPP. As member of TPP Coalition Steering Committee, actively support coalition strategy to press for completion of comprehensive, high-standard TPP agreement and approval by Congress by the first half of 2015.
- TPA. As member of TPA coalition steering committee, build bi-partisan Congressional support for approval of well-designed TPA early in 2015.
- TTIP. As member of Business Coalition for Trans-Atlantic Trade (BCTT) steering committee, and co-chairs of several key issue work groups, play lead role in engaging U.S. and EU negotiators to advance an ambitious and comprehensive TTIP agreement including investment protection and regulatory cooperation commitments, including specific sectors, and to promote a more open environment for U.S. companies in Europe.
- TiSA. Support a successful conclusion of the TiSA negotiations that sets high standards for opening services trade.
- WTO. Support U.S. efforts to move forward in the WTO, implementing the Trade Facilitation Agreement, completing ITA expansion, and moving forward with the Environmental Goods Agreement (EGA) negotiations. (See agenda item 3 on rebuilding WTO).
- Press for the U.S. to address through trade negotiations and bilateral engagement trade areas of growing concern such as: localization barriers to trade, restrictions on cross-border data flows and other forms of digital protectionism, state-owned enterprises (competitive neutrality), global value chains, mobility/temporary movement of talent, illicit trade, regulatory cooperation, food security and agriculture regulations, and advocate for IP language in trade agreements that establishes a robust and effective intellectual property framework to promote innovation and creativity.
- Engage Congress in support of building capacity on trade – including updating engagement with Africa in an AGOA 2.0 discussion.

Medium Term (1-3 years) –

- Identify new trade initiatives to follow after completion of TPP and TTIP such as expansion of TPP around the Pacific Region and/or integration of existing Free Trade Agreements (FTAs) including contributing to the USTR's co-chair role on the FTAAP working group.
- Provide thought leadership on future U.S. trade strategy and anticipate changing policy issues resulting from rapid economic and technological changes. Address growing trend of government intervention in markets.

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- Provide thought leadership on the growing inter-play between regulation – coherence versus fragmentation and the need for sound science-based policy-making – and trade policy.

2. Promote Global Investment Policies that Open Markets and Level the Playing Field for U.S. Companies

Short Term –

- Continue leadership role on state-owned enterprise issues in the TPP, TTIP, TiSA, and BIT negotiations and at the OECD.
- Press for high-standard Investment chapters in TPP and TTIP, especially on investor-state dispute settlement; resist efforts to carve out important provisions or sectors.
- Play lead role in working with U.S. government on China BIT. Encourage U.S. government to move forward on high-standard BIT negotiations with other key countries including India.
- Build coalition to support maintenance of investor-state dispute mechanisms in investment agreements and ensure any discussions of a multilateral investment framework focus on including high-standard investment protections.
- Strengthen relationships with business groups from other key countries that are our partners in international affiliate organizations and build global support on key investment issues.

Medium Term –

- Encourage helpful and constructive ICC approach to addressing global investment issues including through thought leadership at the G20/B20.

3. Urge WTO to Rebuild Confidence and Credibility Through Concrete Action on Specific Negotiations

Short Term – advocate for WTO to restore effective role in liberalizing trade:

- Ensure ratification and effective implementation of Trade Facilitation Agreement concluded in Bali at WTO ministerial.
- Support efforts to conclude an agreement to expand product coverage in the ITA in 2015.
- Lead coalition effort to advance negotiations in the WTO on an environmental goods agreement.
- Engage our business group partners from other countries directly and through our international platforms (BIAC, IOE, ICC) to build consensus views on trade agenda in the WTO, post-Bali.

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Medium Term – work to rebuild consensus in support of multilateral trade negotiations and the WTO.

- Propose improvements to operation of WTO, including the dispute resolution process and consultation with the private sector.
- Develop paper on changing global economic environment and growing role of large emerging economies. Underscore the importance of a rules-based trading system.

4. Leverage International Platforms to Build Global Business Support for Addressing Key Trade Policy Concerns

Short Term – utilize ICC, BIAC and IOE where appropriate to raise global awareness on issues and build support of broad international business community. Work through our foreign business association partners to build local advocates. Engage OECD on useful work they could do in these areas. Utilize other platforms such as APEC and G20/B20, as appropriate for addressing issues such as:

- Localization barriers to trade
- Cross border data flows
- Regulatory cooperation
- Illicit trade
- State-owned enterprises/Competitive neutrality
- Global value chains
- Mobility
- Support robust and effective intellectual property framework to promote innovation and creativity
- Anti Bribery/transparency
- Supply chain transparency
- Engage governments on potential negative impacts on economic growth/export generation from over-regulation and the benefits of regulatory coherence among countries.
- Work with G20/B20 and other international organizations to support policies on infrastructure (including financing) that will improve trade and investment opportunities for members.
- Implement strategy building on USCIB unique expertise, access and influence to intergovernmental organizations (IGOs) and the U.S. government in order to advance members' interests, enhance business participation and influence in key IGOs, and shape policy at the international level.
- Strengthen our relationships with business groups from other countries that are our partners in international affiliate organizations and build support on key trade, investment and regulatory issues. Organize meetings with these groups in Washington and in their home countries to build relations. Identify issues of common interest and pursue joint advocacy efforts.

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- Organize more meetings/lunches for members with foreign officials when they are in DC to provide opportunity to engage on the key trade policy concerns in that country and globally.

Medium Term –

- Address growing concerns that some multilateral institutions are pursuing policies that will restrict international trade and investment rather than promote trade liberalization.
- Assist the smallest businesses and individual entrepreneurs to engage in international trade by adopting trade policies aimed at improving access to the global marketplace such as removing red tape and simplifying customs clearance procedures.

5. Leverage Coordinated USCIB Committee Work on Trade Policy Related and Regulatory Issues

Short Term – work closely with other USCIB policy committees on issues that intersect with trade and investment policy:

- Environment Committee – tariff reduction/elimination on environmental goods and services, IP erosion efforts in Climate Change talks, and unilateral environmental policies that become nontariff barriers to trade.
- Customs Committee – trade facilitation and customs modernization.
- ICT Committee – localization barriers to trade, cross border data flow and privacy.
- Competition Committee – competitive neutrality.
- IP Committee – support robust and effective intellectual property framework to promote innovation and creativity
- Labor Committee – ensure labor provisions in trade agreements are consistent with member positions in existing agreements.
- Tax - ensure tax policy changes do not create barriers to trade and investment.
- Country/regional committees – APEC, China, emerging markets, EU

Medium Term – identify cross-cutting issues that involve more than one committee and develop coordinated strategies to address these issues.

6. Provide Thought Leadership and Improve Analysis on Trade and Investment Policy to Inform Global Policymaking Activity

Short Term – continue to educate policymakers on member business models that utilize global value chains by leveraging USCIB study by Prof. Slaughter through briefings on Hill, meetings with policymakers, engagement with our international organizations, possible briefing in Brussels, webinars, and other venues. Utilize study throughout the year in pushing for policies that facilitate member company competitiveness and counter policies like localization barriers to trade.

- Encourage affiliate organizations in other countries to work with local think tanks to write on impact of policies such as localization barriers to trade and restrictions on cross border data flows on global value chains and economic growth.
- Raise USCIB's public profile on trade and investment issues, including public speaking, media interviews, and well-prepared conferences.

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- Support work of OECD on Trade in Value Added research and policy analysis.
- Build on successful OECD/USCIB trade and investment conference by establishing it as an annual event.
- Support organization of first ICC/USCIB conference on customs and trade facilitation.
- Support business visit to OECD organized by BIAC.
- Support research connecting open government data with a more efficient trading system and economic growth.

Medium Term – identify other issue areas for in-depth research and develop plan for producing one or more reports. Possible issues might include localization barriers to trade, challenges of state capitalism, cross border data flows, impact of sanctions on trade. Work with US Council Foundation to expand study and research capabilities.

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UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS

USCIB 2015 Customs and Trade Facilitation Priorities and Goals

The United States Council for International Business remains committed to pushing a robust trade and customs agenda in 2015. We will continue to urge for passage of Customs Reauthorization legislation in the U.S. Congress. We believe updating this legislation is critical to improving transparency and efficiency and to fostering a better relationship between trade facilitation, security and enforcement. There is also a growing need for mutual recognition globally and will continue to engage other countries to further push for an international single window initiative.

The USCIB Customs and Trade Facilitation Committee 2015 goals and priorities sets a framework for the year and presents a clear path forward for the committee towards the areas in which we can make the most impact. USCIB and our membership bring a unique view that enables us to actively engage U.S. policy makers. Our perspective allows us to actively engage and strengthen our international partnerships to advance global customs initiatives while supporting U.S. Customs and Border Protection.

U.S. Congress:

Customs Reauthorization:

- Continue to work with US Congress and business community to facilitate passage of a Customs Reauthorization Bill
 - USCIB continues to support CBP's efforts to increase the current values for *de minimis* and informal entry shipments. This change would promote faster border clearance for low-value shipments and allow Customs to focus on urgent priorities like ensuring product safety and protecting intellectual property. This in turn would benefit small business by reducing the burden associated with importing low value goods and international retail returns.
 - Push for language in the legislation to mandate mutual recognition of customs in all countries. A single window initiative benefits everyone and it is important to ensure trusted traders benefit from achieving trusted status. Today, one still has to apply for EU AEO even if they are C-TPAT. By creating true mutual recognition across borders, this would allow C-TPAT to be used for multiple purposes and would cut down on red tape.
 - Continue to engage with policy makers to ensure that companies benefit from their participation in trusted trader programs.
 - Work with members of the business community to provide outreach and education to Capitol Hill members about the importance of legislation.
 - Finalize USCIB *de minimis* white paper and circulate to government officials, multilateral institutions such as the WTO, WCO and other groups of interest.

WTO Trade Facilitation Agreement/Trade Facilitation:

- Continue to monitor developments and pursue opportunities to support ratification of agreement and ratification of protocol of amendment regarding food security for the WTO "Bali" Agreement on Trade Facilitation.

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- Continue to play a leadership role in the USAID/USTR Alliance and the private sector business coalition.
 - Coordinate with members of the international business community to ensure there is one coordinated message for business.
- Identify resource capabilities and regions/countries of interest for members involved in initiatives.
- Continue to work with the ICC, WCO, WTO, USTR and CBP to coordinate donor effort on technical assistance and capacity building.
- Coordinate with the OECD on creating helpful data, research and information on the benefits of implementing the agreement and how trade facilitation will help developing and least developing countries.

